

9/6/2018 2:25 PM
18CV39241

IN THE CIRCUIT COURT OF THE STATE OF OREGON
FOR THE COUNTY OF DESCHUTES

WELLNESS HOLDINGS LLC, an Oregon
Limited Liability Company,

Plaintiff,

vs.

SENTINEL INSURANCE COMPANY,
LTD., a foreign corporation,

Defendant.

Case No.:

CIVIL COMPLAINT

(Breach of Contract; Equitable Estoppel)

Amount Prayed for: \$705,102.02

Filing Fee: \$560 (21.160(1)(c))

CLAIM NOT SUBJECT TO
MANDATORY ARBITRATION

DEMAND FOR JURY TRIAL

COMES NOW Wellness Holdings, LLC and alleges:

General Allegations

1.

Due to the amount prayed for herein this claim is not subject to mandatory arbitration.

2.

At all times mentioned, Plaintiff Wellness Holdings, LLC ("Wellness") was and is a Limited Liability Company registered and duly authorized to conduct business in the State of Oregon, and was operating a business called "Anjou Spa."

CIVIL COMPLAINT - Page 11

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Law Firm

125 NW Greeley
Bend, Oregon 97703
Phone: 541-647-1812
Fax: 541-647-1814
Email: ngs@steelefirm.com

1 3.

2 At all times mentioned, Defendant Sentinel Insurance Company LTD.
 3 ("Sentinel"), is an insurance company domiciled in Connecticut with its principal place
 4 of business in Hartford, Connecticut. At all times mentioned, Sentinel was and is
 5 registered and duly authorized to conduct business in the State of Oregon as an
 6 insurance company and conducts regular and sustained business activity in Deschutes
 7 County, Oregon. This Court has jurisdiction over Sentinel because Sentinel transacted
 8 insurance in Oregon as defined by the Oregon Insurance Code, ORS 731.146, and
 9 because the claim giving rise to this lawsuit arose out of risks for which Sentinel
 10 provided coverage within Oregon. At all times mentioned, Sentinel had working for it
 11 agents and/or employees, over whom it had control or the right of control, who were
 12 acting within the course and scope of their agency and/or employment. Sentinel was
 13 vicariously liable, pursuant to the doctrine of *respondeat superior*, for the acts and/or
 14 omissions of said agents and/or employees.

15 4.

16 At all times mentioned, Sentinel issued a policy of insurance to Wellness bearing
 17 policy number 52 SBA TM9882 SC ("the policy"), which, among other times, was in
 18 full force and effect from May 9, 2016 to May 9, 2017. A true and accurate copy of
 19 relevant portions of the policy is attached hereto as Exhibit 1, and fully incorporated
 20 herein. The policy was purchased by Wellness while it maintained its principal place of
 21 business in Deschutes County, Oregon.

22 5.

23 The policy included, *inter alia*, the following insuring provisions:

24 ///

CIVIL COMPLAINT - Page | 2

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 Bend, Oregon 97703
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 Email: ngs@steelefirm.com

- 1 a. Sentinel would pay Wellness for direct physical loss of or physical damage
2 to covered property at the scheduled premises described in the policy's
3 declaration. Under the policy, the scheduled premises described in the
4 declaration was 225 NW Franklin Avenue, Suite 3, Bend, Oregon 97701
5 ("scheduled property"). Under the policy, a covered loss included a fire at
6 the scheduled property. Covered property included, but was not limited to,
7 business personal property used or owned by Wellness in connection with
8 the operation of its business.
- 9 b. Sentinel would pay Wellness for the actual loss of business income sustained
10 due to the necessary suspension of its operation during the period of
11 restoration. According to the policy, business loss income means the net
12 income (net profit or loss before income taxes) that would have been earned
13 if no direct physical loss or physical damage had occurred. Under the policy,
14 operation means the business activities occurring at the scheduled property.
15 The suspension of operations must be caused by a direct physical loss of or
16 physical damage to property at the scheduled property. Under the policy,
17 the period of restoration began on the date of direct physical loss or physical
18 damage caused by, or resulting from, a fire at the scheduled property, and
19 ended when Wellness' business had resumed at a new, permanent location.
20 Sentinel agreed to pay for loss of business income that occurred within 12
21 consecutive months after the date of direct physical loss or physical damage.
22 However, Wellness also purchased Super Stretch coverage, which provided
23 coverage for an additional 90 days of business income loss after the 12-
24 month period following the fire loss.

CIVIL COMPLAINT - Page 13

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1 c. Sentinel would pay reasonable and necessary expenses incurred by Wellness
 2 during the period of restoration that would not have been incurred if there
 3 had been no physical loss or physical damage to property at the scheduled
 4 property. Under the policy, Sentinel agreed pay those expenses necessary to
 5 avoid or minimize the suspension of Wellness' business, and to continue its
 6 business operations. These expenses included the costs to equip and operate
 7 the business at a temporary or permanent replacement location.

8 6.

9 At all times mentioned, Wellness fully performed all of its obligations under the
 10 policy.

11 7.

12 On or about September 7, 2016, a fire occurred at the scheduled property ("fire
 13 loss"). As a result of the fire loss, the scheduled property was declared a total loss,
 14 Wellness' business personal property was completely destroyed, and Wellness was
 15 unable to continue business operations at the scheduled premises.

16 8.

17 Wellness timely contacted Sentinel to notify it of the fire loss. Sentinel, through
 18 its agent and/or employee Darin Hubin ("Hubin"), subsequently notified Wellness that
 19 there was coverage under the policy arising out of the fire loss, including coverage for
 20 loss of business income, loss of business personal property, and costs necessary to
 21 equip and operate a temporary or permanent replacement location.

22 9.

23 After the fire loss, Hubin was advised of Wellness' lost business personal
 24 property as well as loss of income. Hubin was further advised on September 22, 2016,

CIVIL COMPLAINT - Page 14

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1 that Wellness' financial situation was dire based upon a cessation of income due to the
 2 fire, and that Wellness would not be able to continue business operations without the
 3 payment of benefits pursuant to the policy. Sentinel did not make its first payment
 4 under the policy to Wellness until September 26, 2016. Because Sentinel had waited
 5 until September 26, 2016 to issue payment, Wellness was charged a payroll penalty by
 6 the Internal Revenue Service in the amount of \$863.95. Sentinel refused to reimburse
 7 Wellness for said penalty.

8 **10.**

9 Throughout the month of September 2016, Wellness was in frequent contact
 10 with Hubin and provided significant documentation in support of its covered losses,
 11 including loss of business income. Wellness advised Hubin that it was unable to secure
 12 a replacement location due to the limited rental market in Bend, Oregon and it
 13 therefore needed to find a temporary location where it could continue to conduct
 14 business and minimize its business losses. Hubin affirmatively represented to Wellness
 15 that Sentinel would not only pay the costs to equip and operate a temporary location,
 16 but a permanent replacement location, once it could be acquired. Hubin knew or
 17 should have known that Wellness would rely upon said representation to its financial
 18 detriment.

19 **11.**

20 In reliance upon the representations made by Hubin, Wellness incurred
 21 significant costs to equip and operate a temporary and permanent location.

22 **12.**

23 From September 2016 through March of 2017 Wellness repeatedly contacted
 24 Hubin to request payment for covered expenses to meet its financial obligations.

CIVIL COMPLAINT - Page 15

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Wellness provided Hubin with financial documentation and copies of all documents related to securing a temporary and permanent location. Hubin was virtually unresponsive during this time period, with the exception of a few emails confirming coverage for rent at the temporary location. Moreover, although Sentinel issued some payments under the policy during this period, Wellness repeatedly advised Hubin that delays in payment were causing Wellness to struggle financially.

13.

Wellness thereafter continued to send Hubin updates regarding its efforts to secure a permanent location, including cost estimates to equip and operate the permanent location. Wellness repeatedly informed Hubin that, due to the delay in the payment of benefits, it was unable to meet all of its financial obligations and was incurring penalties, interest and fees related to those obligations. Moreover, Wellness repeatedly asked Hubin to pay for costs to equip and operate its permanent location because it could not afford to pay those expenses out of pocket. Hubin was unresponsive to Wellness' repeated requests for payment.

14.

By August of 2017, Hubin continued to be unresponsive to Wellness' requests for payment of business loss income and expenses associated with the permanent location. Wellness therefore again contacted Hubin on August 16, 2017 to inquire as to the status of a previously-submitted unpaid claims. On that date, Wellness also provided Hubin with spreadsheets detailing its covered losses, which included:

- a) Costs to equip and operate permanent location in the amount of \$524,566.64;
- and
- b) Business loss income of \$79,782.80 from September 7, 2016 through September 7,

CIVIL COMPLAINT - Page | 6

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In that correspondence Wellness informed Hubin that “Time is of the essence as [Wellness] is already in the process of moving forward with its new office space.” Hubin did not respond.

From approximately August 30, 2017 to September 12, 2017 Wellness repeatedly attempted to contact Hubin but received no response. Sentinel responded on or about September 13, 2017, and informed Wellness that Hubin was no longer the adjuster for the claim, and that a new adjuster had been assigned to handle the claim. Sentinel did not advise Wellness that Hubin was no longer handling the claim until after the 12-month period following the loss. In September 2017, Sentinel asked Wellness to resubmit documentation it had previously sent in support of its claim.

On October 6, 2017, Sentinel informed Wellness that it would not pay for its business loss income, nor its costs to equip and operate the replacement premises in the amount of \$524,566.64. Further, by the end of the Super Stretch coverage period, Sentinel had denied a total of \$99,735.00 in business loss income sustained by Wellness. Thereafter, Sentinel denied payment under the policy in the approximate amount of \$624,301.64. Said amount is subject to amendment before trial to conform to the evidence.

Additionally, as a result of Sentinel's failure to pay Wellness' claims under the policy, Wellness was required to obtain loans to pay for the costs necessary to equip and operate its permanent location. To date, Wellness has incurred interest on said

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Exhibit 2, Page 7 of 50
Notice of Removal

1 loans in the amount of \$79,936.43. Said amount is subject to amendment before trial to
2 conform to the evidence.

3 **FIRST CLAIM FOR RELIEF**

4 **(Count One: Breach of Contract)**

5 **18.**

6 Wellness re-alleges all allegations contained in paragraphs 1-17 above as though
7 fully set forth herein.

8 **19.**

9 Sentinel's failure to pay Wellness' claims under the policy constitute a breach of
10 the policy.

11 **20.**

12 As a direct and proximate result of Sentinel's breach of contract, Wellness has
13 sustained economic damages in the amount of \$705,102.02 as alleged in paragraphs 9,
14 16 and 17, above.

15 **21.**

16 As a further result of Sentinel's denial of coverage under the policy, Wellness
17 has been required to retain the services of an attorney to pursue this claim against
18 Sentinel, and is therefore entitled to its reasonable attorney fees pursuant to ORS
19 742.061

20 **(Count Two: Breach of the Implied Duty of Good Faith and Fair Dealings)**

21 **22.**

22 Wellness re-alleges all allegations contained in paragraphs 1 - 21 above as
23 though fully set forth herein.

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CIVIL COMPLAINT - Page 18

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125 NW Greeley
Bend, Oregon 97703
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Fax: 541-647-1814
Email: ngs@steelefirm.com

23.

Sentinel breached the implied duty of good faith and fair dealing in connection with the policy as follows:

- a. In failing to respond to Wellness' repeated request for payment of costs to equip and operate a replacement premises;
- b. In failing to make timely payment for costs to equip and operate a replacement premises;
- c. In unreasonably delaying payments to Wellness under the policy, which resulted in Wellness incurring an IRS payroll penalty in the amount of \$863.95;
- d. In failing to advise Wellness on or before September 7, 2017 that Hubin was no longer employed by Sentinel, and that he was no longer making decisions with respect to the claim, including, decisions with respect to the payment of costs to equip and operate a permanent location;
- e. In failing to respond to coverage questions after the fire loss to ensure that Wellness understood Sentinel's position with respect to coverage;
- f. In using an accounting method for determining Wellness' business loss income that did not consider the profits earned by Wellness; and
- g. By denying Wellness' claim based upon is alleged failure to incur expenses during the 12-month period following the fire loss when the delay in incurring expenses, if any, was a direct result of Sentinel's failure to respond to Wellness' requests for payment.

24.

As a result of Sentinel's breach of the duty of good faith and fair dealing, the purpose of the insurance agreement was frustrated and Wellness did not receive

CIVIL COMPLAINT - Page 19

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Law Firm

125 NW Greeley
Bend, Oregon 97703
Phone: 541-647-1812
Fax: 541-647-1814
Email: ngs@steelefirm.com

1 amounts owed under the policy in the amount of \$705,102.02.

2 25.

3 As a further result of Sentinel's denial of fire insurance coverage, Wellness has
4 been required to retain the services of an attorney to pursue this claim against Sentinel,
5 and is therefore entitled to its reasonable attorney fees pursuant to ORS 742.061.

6 **SECOND CLAIM FOR RELIEF**

7 **(Equitable Estoppel/Waiver)**

8 26.

9 Wellness re-alleges all allegations contained in paragraphs 1 - 25 above as
10 though fully set forth herein.

11 27.

12 Following the fire loss, Sentinel represented to Wellness that it would pay for
13 expenses associated with equipping and operating a replacement premise. Wellness
14 relied upon this representation and incurred expenses associated with acquiring a
15 replacement location. Sentinel repeatedly failed to respond to Wellness' requests for
16 payment within the 12-month period following the fire loss. Sentinel then denied
17 Wellness' claim for costs to equip and operate the replacement location on the basis
18 that said expenses were not incurred within the 12-month period following the fire
19 loss. Sentinel should be estopped from denying coverage under the policy for costs to
20 equip and operate its replacement location based upon Sentinel's representation that it
21 would pay for these expenses, and Wellness' reliance upon those representations to its
22 financial detriment. Sentinel should be estopped from paying those sums denied under
23 the policy in the amount of \$524,566.64 for the costs to equip and operate a permanent
24 location. Additionally, Sentinel should be estopped from denying payment of the

CIVIL COMPLAINT - Page 10

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Law Firm

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Bend, Oregon 97703
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Email: ngs@steelefirm.com

1 interest associated with the loans that Wellness had to secure to pay amounts denied
 2 by Sentinel for the costs to equip and operate a permanent location in the amount of
 3 \$79,936.43. Said amounts are subject to amendment before trial to conform to the
 4 evidence.

5 **28.**

6 As a further result of Sentinel's denial of fire insurance coverage, Wellness has
 7 been required to retain the services of an attorney to pursue this claim against Sentinel,
 8 and is therefore entitled to its reasonable attorney fees pursuant to ORS 742.061.

9 **WHEREFORE**, Wellness prays for judgment against Sentinel as follows:

10 **First Claim for Relief**

- 11 (a) Economic damages in the amount of \$705,102.02 together with pre-judgment
 12 interest. Said amount of economic damages is subject to amendment prior to
 13 trial to conform to the evidence;
 14 (b) For Wellness' reasonable attorney fees and costs incurred in bringing and
 15 prosecuting this action pursuant to ORS 742.061;
 16 (c) Wellness' costs and disbursements incurred herein; and
 17 (d) Such other relief that the Court deems just and equitable.

18 **Second Claim for Relief**

- 19 (e) Economic damages in the amount of \$604,503.07, together with pre-
 20 judgment interest. Said amount of economic damages is subject to
 21 amendment prior to trial to conform to the evidence;
 22 (f) For Wellness' reasonable attorney fees and costs incurred in bringing and
 23 prosecuting this action pursuant to ORS 742.061;
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CIVIL COMPLAINT - Page | 11

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125 NW Greeley
 Bend, Oregon 97703
 Phone: 541-647-1812
 Fax: 541-647-1814
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1 (g) Wellness' costs and disbursements incurred herein; and
2 (h) Such other relief that the Court deems just and equitable.

3 DATED: September 6, 2018.

4 THE STEELE LAW FIRM, P.C.

5
6 By: 

7 Nathan G. Steele, OSB #004386

8 Attorney for Plaintiff Wellness Holding LLC
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CIVIL COMPLAINT - Page 12

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STEELE
Law Firm

125 NW Greeley
Bend, Oregon 97703
Phone: 541-647-1812
Fax: 541-647-1814
Email: ngs@steelefirm.com

Spectrum[®]

Business Owner's Policy



Form SS 00 01 03 14

Page 1 of 1

EXHIBIT 1
Page 1 of 38

Exhibit 2, Page 13 of 50
Notice of Removal

82 This **Spectrum Policy** consists of the Declarations, Coverage Forms, Common Policy Conditions and any
98 other Forms and Endorsements issued to be a part of the Policy. This insurance is provided by the stock
TM insurance company of The Hartford Insurance Group shown below
SRA

INSURER: SENTINEL INSURANCE COMPANY, LIMITED
ONE HARTFORD PLAZA, HARTFORD, CT 06155
COMPANY CODE: A

Policy Number: 52 SBA TM9882 SC



SPECTRUM POLICY DECLARATIONS

Named Insured and Mailing Address: WELLNESS HOLDINGS, OREGON LLC
(No. Street, Town, State, Zip Code)

4508 S MYRTLE ST
SEATTLE WA 98118

Policy Period: From 05/09/16 To 05/09/17 1 YEAR
12:01 a.m., Standard time at your mailing address shown above **Exception:** 12 noon in New Hampshire.

Name of Agent/Broker: ASSOCIATED AGENCY GROUP
Code: 812204

Previous Policy Number: 52 SBA TM9882

Named Insured is: LIMITED LIAB CORP

Audit Period: NON-AUDITABLE

Type of Property Coverage: SPECIAL

Insurance Provided: In return for the payment of the premium and subject to all of the terms of this policy, we agree with you to provide insurance as stated in this policy.

TOTAL ANNUAL PREMIUM IS: \$1,181

IN RECOGNITION OF THE MULTIPLE COVERAGES INSURED WITH THE HARTFORD, YOUR
POLICY PREMIUM INCLUDES AN ACCOUNT CREDIT.

Countersigned by

Susan A. Castaneda

Authorized Representative

03/08/16
Date

Form SS 00 02 12 06
Process Date: 03/08/16

Page 001 (CONTINUED ON NEXT PAGE)
Policy Expiration Date: 05/09/17

SPECTRUM POLICY DECLARATIONS (Continued)

POLICY NUMBER: 52 SBA TM9882

Location(s), Building(s), Business of Named Insured and Schedule of Coverages for Premises as designated by Number below.

Location: 001 **Building:** 001

225 NW FRANKLIN AVE STE 3
BEND OR 97701

Description of Business:

Day Spa

Deductible: \$ 500 PER OCCURRENCE

BUILDING AND BUSINESS PERSONAL PROPERTY LIMITS OF INSURANCE

BUILDING

NO COVERAGE

BUSINESS PERSONAL PROPERTY

REPLACEMENT COST	\$ 253,300
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PERSONAL PROPERTY OF OTHERS

REPLACEMENT COST	NO COVERAGE
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MONEY AND SECURITIES

INSIDE THE PREMISES	\$ 10,000
OUTSIDE THE PREMISES	\$ 5,000

Form SS 00 02 12 06
Process Date: 03/08/16

Page 002 (CONTINUED ON NEXT PAGE)
Policy Expiration Date: 05/09/17

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EXHIBIT 1
Page 3 of 38

Exhibit 2, Page 15 of 50
Notice of Removal

SPECTRUM POLICY DECLARATIONS (Continued)

POLICY NUMBER: 52 SBA TM9882

Location(s), Building(s), Business of Named Insured and Schedule of Coverages for Premises as designated by Number below.

Location: 001 **Building:** 001

**PROPERTY OPTIONAL COVERAGES APPLICABLE LIMITS OF INSURANCE
TO THIS LOCATION**

**SUPER STRETCH
FORM: SS 04 74
THIS FORM INCLUDES MANY ADDITIONAL
COVERAGES AND EXTENSIONS OF
COVERAGES. A SUMMARY OF THE
COVERAGE LIMITS IS ATTACHED.**

**LIMITED FUNGI, BACTERIA OR VIRUS \$ 50,000
COVERAGE:**

**FORM SS 40 93
THIS IS THE MAXIMUM AMOUNT OF
INSURANCE FOR THIS COVERAGE,
SUBJECT TO ALL PROPERTY LIMITS
FOUND ELSEWHERE ON THIS
DECLARATION.
INCLUDING BUSINESS INCOME AND EXTRA
EXPENSE COVERAGE FOR:**

30 DAYS

**Form SS 00 02 12 06
Process Date:** 03/08/16

**Page 003 (CONTINUED ON NEXT PAGE)
Policy Expiration Date:** 05/09/17

SPECTRUM POLICY DECLARATIONS (Continued)

POLICY NUMBER: 52 SBA TM9882

**PROPERTY OPTIONAL COVERAGES APPLICABLE LIMITS OF INSURANCE
TO ALL LOCATIONS**

BUSINESS INCOME AND EXTRA EXPENSE
COVERAGE 12 MONTHS ACTUAL LOSS SUSTAINED
COVERAGE INCLUDES THE FOLLOWING
COVERAGE EXTENSIONS:

ACTION OF CIVIL AUTHORITY: 30 DAYS
EXTENDED BUSINESS INCOME: 30 CONSECUTIVE DAYS

EQUIPMENT BREAKDOWN COVERAGE
COVERAGE FOR DIRECT PHYSICAL LOSS
DUE TO:
MECHANICAL BREAKDOWN,
ARTIFICIALLY GENERATED CURRENT
AND STEAM EXPLOSION

THIS ADDITIONAL COVERAGE INCLUDES
THE FOLLOWING EXTENSIONS

HAZARDOUS SUBSTANCES \$ 50,000
EXPEDITING EXPENSES \$ 50,000

MECHANICAL BREAKDOWN COVERAGE ONLY
APPLIES WHEN BUILDING OR BUSINESS
PERSONAL PROPERTY IS SELECTED ON
THE POLICY

IDENTITY RECOVERY COVERAGE \$ 15,000
FORM SS 41 12

Form SS 00 02 12 06
Process Date: 03/08/16

Page 004 (CONTINUED ON NEXT PAGE)
Policy Expiration Date: 05/09/17

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SPECTRUM POLICY DECLARATIONS (Continued)

POLICY NUMBER: 52 SBA TM9882

BUSINESS LIABILITY	LIMITS OF INSURANCE
LIABILITY AND MEDICAL EXPENSES	\$2,000,000
MEDICAL EXPENSES - ANY ONE PERSON	\$ 10,000
PERSONAL AND ADVERTISING INJURY	\$2,000,000
DAMAGES TO PREMISES RENTED TO YOU ANY ONE PREMISES	\$1,000,000
AGGREGATE LIMITS	
PRODUCTS-COMPLETED OPERATIONS	\$4,000,000
GENERAL AGGREGATE	\$4,000,000
BUSINESS LIABILITY OPTIONAL COVERAGES	
HIRED/NON-OWNED AUTO LIABILITY	\$2,000,000
UMBRELLA LIABILITY - SEE SCHEDULE ATTACHED	

Form SS 00 02 12 06
Process Date: 03/08/16

Page 005 (CONTINUED ON NEXT PAGE)
Policy Expiration Date: 05/09/17

EXHIBIT 1
Page 6 of 38

Exhibit 2, Page 18 of 50
Notice of Removal

SPECTRUM POLICY DECLARATIONS (Continued)

POLICY NUMBER: 52 SBA TM9882

BUSINESS LIABILITY OPTIONAL COVERAGES
(Continued)

LIMITS OF INSURANCE

WAIVER OF SUBROGATION:

FORM SS 12 15

LOCATION: 001 BUILDING: 001

SEE FORM IH 12 00

CYBERFLEX COVERAGE

FORM SS 40 26

Form SS 00 02 12 06
Process Date: 03/08/16

Page 006 (CONTINUED ON NEXT PAGE)
Policy Expiration Date: 05/09/17

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EXHIBIT 1
Page 7 of 38

Exhibit 2, Page 19 of 50
Notice of Removal



SPECIAL PROPERTY COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties, and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to the SECTION G - PROPERTY DEFINITIONS.

A. COVERAGE

We will pay for direct physical loss of or physical damage to Covered Property at the premises described in the Declarations (also called "scheduled premises" in this policy) caused by or resulting from a Covered Cause of Loss.

1. Covered Property

Covered Property as used in this policy, means the following types of property for which a Limit of Insurance is shown in the Declarations:

a. Buildings, meaning only building(s) and structure(s) described in the Declarations, including:

- (1) Completed additions;
- (2) Permanently installed:
 - (a) Fixtures;
 - (b) Machinery; and
 - (c) Equipment;
- (3) Outdoor fixtures;
- (4) Your personal property in apartments, rooms or common areas furnished by you as landlord;
- (5) Building Glass, meaning glass that is part of a building or structure;
- (6) Personal property owned by you that is used to maintain or service the buildings or structures on the premises, including:
 - (a) Fire extinguishing equipment;
 - (b) Outdoor furniture;
 - (c) Floor coverings; and
 - (d) Appliances used for refrigerating, ventilating, cooking, dishwashing or laundering; and
- (7) If not covered by other insurance:
 - (a) Additions under construction, alterations and repairs to the buildings or structures;

(b) Materials, equipment, supplies and temporary structures, on or within 1,000 feet of the "scheduled premises", used for making additions, alterations or repairs to the buildings or structures.

b. Business Personal Property located in or on the building(s) described in the Declarations at the "scheduled premises" or in the open (or in a vehicle) within 1,000 feet of the "scheduled premises", including:

- (1) Property you own that is used in your business;
- (2) Tools and equipment owned by your employees, which are used in your business operations;
- (3) Property of others that is in your care, custody or control;
- (4) "Tenant Improvements and Betterments"; and
- (5) Leased personal property for which you have contractual responsibility to insure, unless otherwise provided for under Personal Property of Others.

2. Property Not Covered

Covered Property does not include:

- a. Aircraft, automobiles, motor trucks and other vehicles subject to motor vehicle registration;
- b. Automobiles held for sale;
- c. "Money", bullion, numismatic and philatelic property and bank notes or "securities" except as provided in any Additional Coverages or Optional Coverages. Lottery tickets held for sale and postage stamps in current use and having face value are not "securities".
- d. Contraband, or property in the course of illegal transportation or trade;

SPECIAL PROPERTY COVERAGE FORM

- e. Land (including land on which the property is located), water, growing crops or lawns;
- f. Outdoor fences, radio or television antennas (including satellite dishes), including their lead in wiring, masts or towers, signs (other than signs attached to buildings), trees, shrubs or plants (other than those held for sale or sold but not delivered), except as any of these may be provided in the:
 - (1) Outdoor Property Coverage Extension, or
 - (2) Outdoor Signs Optional Coverage;
- g. Watercraft (including motors, equipment and accessories) while afloat;
- h. The cost to research, replace or restore the information on "valuable papers and records", except as may be provided in any Coverage Extensions or Optional Coverages
- i. "Data" and "software" which exists on electronic "media" including the cost to research, replace or restore them, except as may be provided for in any Additional Coverages or Optional Coverages.
- j. Accounts, bills, food stamps, other evidences of debt, accounts receivable or "valuable papers and records"; except as otherwise provided for in this policy

3. Covered Causes of Loss

RISKS OF DIRECT PHYSICAL LOSS unless the loss is:

- a. Excluded in Section B., **EXCLUSIONS**; or
- b. Limited in Paragraph A.4. Limitations; that follow.

4. Limitations

- a. We will not pay for direct loss of or damage to:
 - (1) Property that is missing, where the only evidence of the direct physical loss or physical damage is a shortage disclosed on taking inventory, or other instances where there is no physical evidence to show what happened to the property. This limitation does not apply to the Additional Coverage for "Money" and "Securities".
 - (2) Property that has been transferred to a person or to a place outside the "scheduled premises" on the basis of unauthorized instructions.
 - (3) The interior of any building or structure caused by or resulting from rain, snow, sleet, ice, sand or dust, whether driven by wind or not, unless:
 - (a) The building or structure first sustains physical damage by a

Covered Cause of Loss to its roof or walls through which the rain, snow, sleet, ice, sand or dust enters; or

- (b) The direct physical loss or physical damage is caused by or results from thawing of snow, sleet, or ice on the building or structure.

- b. Pets and animals are covered only if:

- (1) They are inside the building; and
- (2) They are owned by others and boarded by you, or owned by you and held for sale or sold but not delivered.

And then we will pay only if they are killed, stolen, or their destruction is made necessary by a "specified cause of loss".

- c. For direct physical loss or physical damage by "theft", the following types of property are covered only up to the limits shown:

- (1) \$2,500 for furs, fur garments and garments trimmed with fur;
- (2) \$5,000 for jewelry, watches, watch movements, jewels, pearls, precious and semi-precious stones, bullion, gold, silver, platinum and other precious alloys or metals. This limit does not apply to jewelry and watches worth \$500 or less per item;
- (3) \$2,500 for patterns, dies, molds and forms; and
- (4) \$500 for stamps, lottery tickets held for sale and letters of credit.

- d. Unless specifically provided under a separate endorsement and with a specific Limit of Insurance indicated in the Declarations, we will not pay for direct physical loss of or physical damage to "perishable stock" caused by or resulting from:

- (1) A change in temperature or humidity resulting from:
 - (a) Mechanical breakdown or failure of:
 - (i) Stationary heating plants; or
 - (ii) Refrigerating, cooling, or humidity control apparatus or equipment;
 - (b) Artificially generated electric current, including electric arcing, that disturbs electrical devices, appliances or wires; or
 - (c) Complete or partial failure of electric power on your "scheduled premises"

- (2) Contamination by refrigerant

SPECIAL PROPERTY COVERAGE FORM**5. Additional Coverages****a. Collapse****(1) With respect to Buildings:**

- (a)** Collapse means an abrupt falling down or caving in of a building or any part of a building with the result that the building cannot be occupied for its intended purpose;
- (b)** A building or any part of a building that is in danger of falling down or caving in is not considered to be in a state of collapse;
- (c)** A part of a building that is standing is not considered to be in a state of collapse even if it has separated from another part of the building;
- (d)** A building that is standing or any part of a building that is standing is not considered to be in a state of collapse even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage, or expansion

(2) We will pay for direct physical loss or physical damage caused by or resulting from risks of collapse of a building or any part of a building that is insured by this policy caused only by one or more of the following:

- (a)** "Specified cause of loss" or breakage of building glass, if such loss or breakage was covered by this policy;
- (b)** Decay that is hidden from view, unless the presence of such decay was known to an insured prior to collapse;
- (c)** Insect or vermin damage that is hidden from view, unless the presence of such damage is known to an insured prior to collapse;
- (d)** Weight of people or personal property;
- (e)** Weight of rain that collects on a roof; and
- (f)** Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation

The criteria set forth in Paragraphs **(1)(a)** through **(1)(d)** do not limit the coverage otherwise provided under this Additional Coverage for the Causes of Loss listed in Paragraph **(2)(a)**, **(2)(d)**, and **(2)(e)**.

(3) If the collapse is caused by a Covered Cause of Loss listed in Paragraphs **(2)(b) through **(2)(f)**, we will pay for direct physical loss of or physical damage to the property listed below, but only if such physical loss or physical damage is a direct result of the collapse of a building insured under this policy, and the property is property covered under this policy:**

- (a)** Awnings; gutters and downspouts; yard fixtures; outdoor swimming pools; piers, wharves and docks; beach or diving platforms or appurtenances; retaining walls; walks, roadways and other paved surfaces.

(4) If personal property abruptly falls down or caves in and such collapse is not the result of collapse of a building, we will pay for loss or damage to Covered Property caused by such collapse of personal property only if

- (a)** The collapse was caused by a cause of loss listed in Paragraphs **(2)(a)** through **(2)(f)** of this Additional Coverage;
- (b)** The personal property which collapses is inside a building; and
- (c)** The property which collapses is not of a kind listed in Paragraph **(3)** above, regardless of whether that kind of property is considered to be personal property or real property.

The coverage stated in this Paragraph **(4)** does not apply to personal property if marring or scratching is the only damage to that personal property caused by the collapse.

Collapse of personal property does not mean cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

(5) This Additional Coverage, Collapse, will not increase the Limits of Insurance provided in this policy.

SPECIAL PROPERTY COVERAGE FORM**b. Debris Removal**

- (1) We will pay your expense to remove debris of Covered Property caused by or resulting from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the earlier of:

- (a) The date of direct physical loss or physical damage; or
- (b) The end of the policy period.

- (2) The most we will pay under this additional Coverage is 25% of the amount we pay for the direct loss of or physical damage to Covered Property plus the deductible in this policy applicable to that physical loss or physical damage.

But this limitation does not apply to any additional Debris Removal limit provided in the Limits of Insurance section.

- (3) This Additional Coverage does not apply to costs to:

- (a) Extract "pollutants and contaminants" from land; or
- (b) Remove, restore or replace polluted or contaminated land or water.

c. Equipment Breakdown

- (1) We will pay for direct physical loss or physical damage caused by or resulting from an Equipment Breakdown Accident to Equipment Breakdown Property

Equipment Breakdown Accident means:

- (a) Mechanical breakdown, including rupture or bursting caused by centrifugal force.
- (b) Artificially generated electric current, including electric arcing, that disturbs electrical devices, appliances or wires.
- (c) Explosion of steam boilers, steam piping, steam engines or steam turbines owned or leased by you, or operated under your control.
- (d) Physical loss or physical damage to steam boilers, steam pipes, steam engines or steam turbines

caused by or resulting from any condition or event inside such boilers or equipment.

- (e) Physical loss or physical damage to hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment

Equipment Breakdown Property means Covered Property built to operate under vacuum or pressure, other than weight of contents, or used for the generation, transmission or utilization of energy

The following is not Equipment Breakdown Property:

- (a) Any structure, foundation, cabinet, compartment or air supported structure building;
- (b) Any insulating or refractory material;
- (c) Any sewer piping, any underground vessels or piping, any piping forming a part of a sprinkler system, water piping other than boiler feed water piping, boiler condensate return piping, or water piping forming a part of a refrigerating or air conditioning system;
- (d) Any vehicle or any equipment mounted on a vehicle. As used here, vehicle means any machine or apparatus that is used for transportation or moves under its own power. Vehicle includes, but is not limited to, car, truck, bus, trailer, train, aircraft, watercraft, forklift, bulldozer, tractor or harvester. However, any property that is stationary, permanently installed at a "scheduled premises" and that receives electrical power from an external power source will not be considered a vehicle.
- (e) Any equipment manufactured by you for sale.

(2) Coverage Extensions

The following coverage extensions apply only to direct physical loss or physical damage caused by or resulting from an Equipment Breakdown Accident:

SPECIAL PROPERTY COVERAGE FORM**(a) Hazardous Substances**

We will pay in any one occurrence for the additional cost, not to exceed \$50,000, to repair or replace Covered Property because of contamination by a hazardous substance. This includes the expenses to clean up or dispose of such property. Hazardous substance means any substance that is hazardous to human health or that has been declared by a government agency to be hazardous to human health.

Additional cost in this extension means those beyond what would have been required had no hazardous substance been involved.

This limit is part of and not in addition to the Limits of Insurance for Covered Property.

(b) Expediting Expenses

With respect to your damaged Covered Property, we will pay in any one occurrence, up to \$50,000, for the reasonable and necessary additional expenses you incur to:

- (i) Make temporary repairs; or
- (ii) Expedite permanent repairs or permanent replacement.

(c) Defense

If a claim or "suit" is brought against you alleging that you are liable for damage to property of another in your care, custody or control directly caused by Equipment Breakdown, we will either:

- (i) Settle the claim or "suit"; or
- (ii) Defend you against the claim or "suit," but keep for ourselves the right to settle it at any point.

(d) Supplementary Payments

We will pay, with respect to any claim or "suit" we defend:

- (i) All expenses we incur;
- (ii) The cost of bonds to release attachments, but only for bond

amounts within the Limit of Insurance. We do not have to furnish these bonds;

- (iii) All reasonable expenses incurred by you at our request to assist us in the investigation or defense of the claim or "suit" including actual loss of earnings up to \$100 a day because of time off from work;
- (iv) All costs taxed against you in any "suit" we defend;
- (v) Prejudgment interest awarded against you on that part of the judgment we pay. If we make an offer to pay the applicable Limit of Insurance, we will not pay any prejudgment interest based on that period of time after the offer; and
- (vi) All interest on the full amount of any judgment that accrues after entry of the judgment and before we have paid, offered to pay, or deposited in court the part of the judgment that is within the Limit of Insurance shown in the Declarations.

These payments will not reduce the Limit of Insurance shown in the Declarations.

(e) Business Income and Extra Expense Extension

The Business Income and Extra Expense Additional Coverages are extended to provide coverage for a tenant who has a loss of income from the lack of heating, cooling or power as a result of equipment breakdown to mechanical, electrical or pressure equipment of the building owner.

- (f) If Equipment Breakdown Property requires replacement due to an Equipment Breakdown Accident, we will pay your additional cost to replace it with equipment that is better for the environment, safer or more efficient than the equipment being replaced. However, we will not pay more than 125% of what the cost would have been to repair or replace with property of

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SPECIAL PROPERTY COVERAGE FORM

comparable material and quality. This coverage does not increase any of the applicable limits. This coverage does not apply to any property indicated as being valued on an Actual Cash Value basis.

If you wish to retrofit air conditioning or refrigeration equipment that utilizes a refrigerant containing CFC (chlorofluorocarbon) substances to accept a non-CFC refrigerant or replace the system with a system using a non-CFC refrigerant, we will consider this better for the environment. Any associated Business Income or Extra Expense will be included in determining the additional cost, if Business Income and Extra Expense apply to this policy.

(3) Additional Condition - Bankruptcy

The bankruptcy or insolvency of you or your estate will not relieve us of any obligation under this Additional Coverage.

(4) Jurisdictional Inspections:

If any boiler or pressure vessel requires inspection to comply with state or municipal boiler and pressure vessel regulations, we agree to perform such inspection on your behalf.

d. Fire Department Service Charge

When the fire department is called to save or protect Covered Property from a Covered Cause of Loss, we will pay up to \$25,000 in any one occurrence for your liability for fire department service charges:

- (1) Assumed by contract or agreement prior to loss; or
- (2) Required by local ordinance.

e. Fire Extinguisher Recharge

We will pay to cover your expenses for recharge of your hand fire extinguishers when they are emptied while fighting fire.

f. Forgery

- (1) We will pay for loss resulting directly from forgery or alteration of any check, draft, promissory note, or similar written promises, orders or directions to pay a sum certain in "money" that you or your

agent has issued, or that was issued by someone who impersonates you or your agent. This includes written instruments required in conjunction with any credit, debit or charge card issued to you or any "employee" for business purposes.

- (2) If you are sued for refusing to pay any Covered Instrument on the basis that it has been forged or altered, and you have our written consent to defend against the "suit", we will pay for any reasonable expenses that you incur and pay in that defense.

- (3) We will pay for loss resulting directly from your having accepted in good faith, in exchange for merchandise, "money" or services:

- (a) Money orders, including counterfeit money orders, of any United States or Canadian post office, express company or national or state (or Canadian) chartered bank that are not paid upon presentation; and

- (b) Counterfeit United States or Canadian paper currency.

- (4) The most we will pay in any one occurrence, including legal expenses, under this Additional Coverage is \$5,000, unless a higher Limit of Insurance is shown in the Declarations.

g. Glass Expense

We will pay for necessary expenses incurred to:

- (1) Put up temporary plates or board up openings if repair or replacement of damaged glass is delayed;
- (2) Repair or replace encasing frames; and
- (3) Remove or replace obstructions when repairing or replacing glass that is part of a building.

This does not include removing or replacing window displays.

h. Lock and Key Replacement

We will pay up to \$1,000 in any one occurrence for the re-keying of locks or the repair or replacement of locks at "scheduled premises" following the theft or the attempted theft of keys by burglars.

i. Money and Securities

- (1) We will pay for loss of "money" and "securities" used in your business while

SPECIAL PROPERTY COVERAGE FORM

at a bank or savings institution, within your living quarters or the living quarters of your partners or any employee having use and custody of the property, at the "scheduled premises", or in transit between any of these places, resulting directly from:

- (a) "Theft";
- (b) Disappearance; or
- (c) Destruction

(2) In addition to the Limitations and Exclusions applicable to property coverage, we will not pay for loss:

- (a) Resulting from accounting or arithmetical errors or omissions;
- (b) Due to the giving or surrendering of property in any exchange or purchase; or
- (c) Of property contained in any "money"-operated device unless a continuous recording instrument in the device records the amount of "money" deposited in the "money"-operated device.

(3) The most we will pay for loss in any one occurrence is:

- (a) The limit shown in the Declarations for Inside the Premises for "money" and "securities" while:
 - (i) In or on the "scheduled premises"; or
 - (ii) Within a bank or savings institution; and
- (b) The limit shown in the Declarations for Outside the Premises for "money" and "securities" while anywhere else.

(4) All loss:

- (a) Caused by one or more persons; or
- (b) Involving a single act or series of related acts:

is considered one occurrence

(5) You must keep records of all "money" and "securities" so we can verify the amount of any loss or damage.

j. Ordinance or Law

(1) If a Covered Cause of Loss occurs to covered Building property, we will pay on a "scheduled premises" any of the following costs that are caused by enforcement of an ordinance or law:

Undamaged Part

(a) For loss to the undamaged portion of the Building that requires the demolition of parts of the same property not damaged by a Covered Cause of Loss provided that any such ordinance or law resulting in this type of loss:

- (i) Regulates the construction or repair of buildings, or establishes zoning or land use requirements at the "scheduled premises"; and
- (ii) Is in force at the time of the loss.

The most we will pay in any one occurrence for this coverage is \$25,000 as a Limit of Insurance.

Demolition Cost

(b) The cost to demolish and clear the site of undamaged parts of the property caused by enforcement of a building, zoning or land use ordinance or law.

The most we will pay in any one occurrence for this coverage is \$25,000 as a Limit of Insurance.

Increased Cost of Construction

(c) The increased cost to repair, rebuild or reconstruct the covered property, caused by enforcement of a building, zoning or land use ordinance or law.

The most we will pay in any one occurrence for this coverage is \$25,000 as a Limit of Insurance.

"Tenants Improvements and Betterment"

(d) The increased cost to repair, rebuild or reconstruct "tenant's improvements and betterments" caused by enforcement of building, zoning or land use ordinance or law.

The most we will pay in any one occurrence for this coverage is \$25,000 as a Limit of Insurance.

(2) Additional Exclusions

We will not pay under this Additional Coverage for:

(a) The enforcement of any ordinance or law which requires the demolition, repair, replacement, reconstruction, remodeling or

SPECIAL PROPERTY COVERAGE FORM

remediation of property due to contamination by "pollutants and contaminants" or due to the presence, growth, proliferation, spread of any activity of "fungi", wet or dry rot, bacteria or virus; or

(b) The costs associated with the enforcement of any ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants or contaminants", "fungi", wet or dry rot, bacteria or virus.

(c) Loss caused by, resulting from, contributed to or aggravated by earthquake or volcanic eruption

(d) Loss due to an ordinance or law that:

(i) You were required to comply with before the loss even if the building was undamaged; and

(ii) You failed to comply with

(3) Additional Limitations – Loss to Undamaged Portion of Building

Subject to the limit stated in Paragraph A.5.j.(1)(a), the insurance provided under this Additional Coverage for loss in value to the undamaged portion of the building is limited as follows:

(a) If Replacement Cost applies and the property is repaired or replaced on the same or another premises, we will not pay more for physical loss of or physical damage to designated Building property, including loss caused by enforcement of an ordinance or law, than:

(i) The amount you actually spend to repair, rebuild or reconstruct the Building, but not for more than the amount it would cost to restore the Building on the same premises; and

(ii) The amount it would cost to restore the undamaged portion to the same height, floor area, style and comparable quality of the original property insured.

(b) If the Building(s) Full Value Endorsement applies and the property is repaired or replaced on the same or another premises, we will not pay more for physical loss of or physical damage to designated Building property, including loss caused by enforcement of an ordinance or law, than:

(i) The amount you actually spend to repair, rebuild or reconstruct the Building, but not for more than the amount it would cost to restore the Building on the same premises; and

(ii) The amount it would cost to restore the undamaged portion to the same height, floor area, style and comparable quality of the original property insured

(c) If Replacement Cost or the Building(s) Full Value Endorsement applies and the property is not repaired or replaced, or if Actual Cash Value applies, then we will not pay more for physical loss of or physical damage to designated Building property, including loss caused by enforcement of an ordinance or law, than the lesser of:

(i) The Actual Cash Value of the Building at the time of loss; or

(ii) The Limit of Insurance applicable to the covered Building property stated in Paragraph A.5.j.(1)(a).

(4) Additional Limitation – Demolition Cost

We will not pay more than the lesser of:

(a) The amount actually spent to demolish and clear the site of the "scheduled premises"; or

(b) The applicable Demolition Cost Limit of Insurance as stated in Paragraph A.5.j.(1)(b).

(5) Additional Limitation – Increased Cost of Construction

The insurance provided under this Additional Coverage for increased cost of construction is limited as follows:

(a) We will not pay:

SPECIAL PROPERTY COVERAGE FORM

- (i) Until the property is actually repaired or replaced, at the same or another premises; and
 - (ii) Unless the repairs or replacements are made as soon as reasonably possible after the physical loss or physical damage, not to exceed two years. We may extend this period in writing during the two years.
 - (b) If the Building is repaired or replaced at the same premises, or if you elect to rebuild at another premises, the most we will pay is the lesser of:
 - (i) The increased cost of construction at the same premises; or
 - (ii) The applicable Increased Cost of Construction Limit of Insurance stated in Paragraph A.5.j.(1)(c).
 - (c) If the ordinance or law requires relocation to another premises, the most we will pay is the lesser of:
 - (i) The Increased Cost of Construction at the new premises; or
 - (ii) The applicable Increased Cost of Construction Limit of Insurance stated in Paragraph A.5.j.(1)(c).
- k. "Pollutants and Contaminants" Clean Up and Removal**
- We will pay your expense to extract "pollutants and contaminants" from land or water at the "scheduled premises" if the discharge, dispersal, seepage, migration, release or escape of the "pollutants and contaminants" is caused by or results from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the earlier of:
- (1) The date of direct physical loss or physical damage; or
 - (2) The end of the policy period
- The most we will pay in any one occurrence for each location under this Additional Coverage is \$15,000 for the sum of all such expenses arising out of Covered Causes of Loss

l. Preservation of Property

If it is necessary to move Covered Property from the "scheduled premises" to preserve it from direct physical loss or physical damage by a Covered Cause of Loss, we will pay for any direct physical loss of or physical damage to that property:

- (1) While it is being moved or while temporarily stored at another location; and
- (2) Only if the direct physical loss or physical damage occurs within 45 days after the property is first moved.

m. Theft Damage to Building

This Additional Coverage applies only to premises where you are a tenant and are responsible in the lease for physical loss or physical damage to the building you lease, rent, or occupy that is caused by or results from "theft", burglary or robbery.

We will pay for direct physical loss or physical damage directly resulting from "theft", burglary or robbery (except loss by fire or explosion) to a building:

- (1) You occupy, including personal property that is used to maintain or service the building; or
- (2) Containing covered personal property if you are legally liable for such physical loss or physical damage.

But we will not pay for such physical loss of or physical damage to property that is away from the "scheduled premises".

n. Water Damage, Other Liquid, Powder or Molten Material Damage

If direct physical loss or physical damage caused by or resulting from covered water or other liquid, powder or molten material damage loss occurs, we will also pay the cost to tear out and replace any part of the building or structure to repair damage to the system or appliance from which the water or other substance escapes.

We will not pay the cost to repair any defect that caused the direct physical loss or physical damage except as provided in paragraph A.5.c., **Equipment Breakdown** of this coverage form. But we will pay the cost to repair or replace damaged parts of fire extinguishing equipment if the damage:

- (1) Results in discharge of any substance from an automatic fire protection system; or

SPECIAL PROPERTY COVERAGE FORM

(2) Is directly caused by freezing.

o. Business Income

(1) We will pay for the actual loss of Business Income you sustain due to the necessary suspension of your "operations" during the "period of restoration" The suspension must be caused by direct physical loss of or physical damage to property at the "scheduled premises", including personal property in the open (or in a vehicle) within 1,000 feet of the "scheduled premises", caused by or resulting from a Covered Cause of Loss.

(2) With respect to the requirements set forth in the preceding paragraph, if you occupy only part of the site at which the "scheduled premises" are located, your "scheduled premises" also means:

(a) The portion of the building which you rent, lease or occupy; and

(b) Any area within the building or on the site at which the "scheduled premises" are located, but only if that area services, or is used to gain access to, the "scheduled premises".

(3) We will only pay for loss of Business Income that occurs within 12 consecutive months after the date of direct physical loss or physical damage.

This Additional Coverage is not subject to the Limits of Insurance.

(4) Business Income means the:

(a) Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred if no direct physical loss or physical damage had occurred; and

(b) Continuing normal operating expenses incurred, including payroll.

(5) With respect to the coverage provided in this Additional Coverage, suspension means:

(a) The partial slowdown or complete cessation of your business activities; or

(b) That part or all of the "scheduled premises" is rendered untenantable as a result of a Covered Cause of Loss if coverage for Business Income applies to the policy.

p. Extra Expense

(1) We will pay reasonable and necessary Extra Expense you incur during the "period of restoration" that you would not have incurred if there had been no direct physical loss or physical damage to property at the "scheduled premises", including personal property in the open (or in a vehicle) within 1,000 feet, caused by or resulting from a Covered Cause of Loss.

(2) With respect to the requirements set forth in the preceding paragraph, if you occupy only part of the site at which the "scheduled premises" are located, your "scheduled premises" also means:

(a) The portion of the building which you rent, lease or occupy; and

(b) Any area within the building or on the site at which the "scheduled premises" are located, but only if that area services, or is used to gain access to, the "scheduled premises".

(3) Extra Expense means expense incurred:

(a) To avoid or minimize the suspension of business and to continue "operations";

(i) At the "scheduled premises"; or

(ii) At replacement premises or at temporary locations, including:

(aa) Relocation expenses; and

(bb) Cost to equip and operate the replacement or temporary location, other than those costs necessary to repair or to replace damaged stock and equipment.

(b) To minimize the suspension of business if you cannot continue "operations"

(c) (i) To repair or replace any property; or

SPECIAL PROPERTY COVERAGE FORM

- (ii) To research, replace or restore the lost information on damaged "valuable papers and records",

to the extent it reduces the amount of loss that otherwise would have been payable under this Additional Coverage or Additional Coverage o., Business Income

We will only pay for Extra Expense that occurs within 12 consecutive months after the date of direct physical loss or physical damage. This Additional Coverage is not subject to the Limits of Insurance

- (4) With respect to the coverage provided in this Additional Coverage, suspension means:

- (a) The partial slowdown or complete cessation of your business activities; or
- (b) That part or all of the "scheduled premises" is rendered untenable as a result of a Covered Cause of Loss if coverage for Extra Expense applies to the policy.

(5) Limitation

This Extra Expense Coverage does not apply to:

- (a) Any deficiencies in insuring building or business personal property; or
- (b) Any expense related to any recall of products you manufacture, handle or distribute.

q. Civil Authority

- (1) This insurance is extended to apply to the actual loss of Business Income you sustain when access to your "scheduled premises" is specifically prohibited by order of a civil authority as the direct result of a Covered Cause of Loss to property in the immediate area of your "scheduled premises"
- (2) The coverage for Business Income will begin 72 hours after the order of a civil authority and coverage will end at the earlier of:

- (a) When access is permitted to your "scheduled premises"; or
- (b) 30 consecutive days after the order of the civil authority.

r. Extended Business Income

- (1) If the necessary suspension of your "operations" produces a Business Income loss payable under this policy, we will pay for the actual loss of Business Income you incur during the period that:

- (a) Begins on the date property is actually repaired, rebuilt or replaced and "operations" are resumed; and
- (b) Ends on the earlier of:

- (i) The date you could restore your "operations" with reasonable speed, to the condition that would have existed if no direct physical loss or damage occurred; or
- (ii) 30 consecutive days after the date determined in (1)(a) above.

Loss of Business Income must be caused by direct physical loss or physical damage at the "scheduled premises" caused by or resulting from a Covered Cause of Loss.

- (2) With respect to the coverage provided in this Additional Coverage, suspension means:

- (a) The partial slowdown or complete cessation of your business activities; and
- (b) That a part or all of the "scheduled premises" is rendered untenable as a result of a Covered Cause of Loss.

s. Business Income from Dependent Properties

- (1) We will pay for the actual loss of Business Income you sustain due to direct physical loss or physical damage at the premises of a dependent property caused by or resulting from a Covered Cause of Loss.

The most we will pay under this Additional Coverage is \$5,000 in any one occurrence unless a higher Limit of Insurance is indicated in the Declarations.

SPECIAL PROPERTY COVERAGE FORM

- (2) We will reduce the amount of your Business Income loss, other than Extra Expense, to the extent you can resume "operations", in whole or in part, by using any other available:
- (a) Source of materials; or
 - (b) Outlet for your products
- (3) If you do not resume "operations", or do not resume "operations" as quickly as possible, we will pay based on the length of time it would have taken to resume "operations" as quickly as possible.
- (4) Dependent Property means property owned, leased or operated by others whom you depend on to:
- (a) Deliver materials or services to you or to others for your account. But services do not include:
 - (i) Water, communication, power services or any other utility services; or
 - (ii) Any type of web site, or Internet service.
 - (b) Accept your products or services;
 - (c) Manufacture your products for delivery to your customers under contract for sale; or
 - (d) Attract customers to your business premises.
- The dependent property must be located in the coverage territory of this policy
- (5) The coverage period for Business Income under this Additional Coverage:
- (a) Begins 72 hours after the time of direct physical loss or physical damage caused by or resulting from a Covered Cause of Loss at the premises of the dependent property; and
 - (b) Ends on the date when the property at the premises of the dependent property should be repaired, rebuilt or replaced with reasonable speed and similar quality.
- (6) The Business Income coverage period, as stated in Paragraph (5), does not include any increased period required due to the enforcement of any ordinance or law that:
- (a) Regulates the construction, use or repair, or requires the tearing down of any property; or
 - (b) Requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize, or in any way respond to, or assess the effects "pollutants"
- (7) The definition of Business Income contained in the Business Income Additional Coverage also applies to this Business Income From Dependent Properties Additional Coverage
- t. **Tenant Glass**
- This Additional Coverage applies only to premises where you are a tenant and are responsible in the lease for such damage.
- We will cover loss to glass, which is in your care, custody or control and for which the lease holds you responsible. The glass must be part of a building described in the Declarations or at a location that would be included in Coverage Extension b. Newly Acquired or Constructed Property
- The most that we will pay in any one occurrence for each location under this Additional Coverage is \$25,000.
- u. **Leasehold Improvements**
- If your lease is cancelled in accordance with a valid lease provision as the direct result of a Covered Cause of Loss to property at the location in which you are a tenant, and you cannot legally remove "Tenant Improvements and Betterments", we will extend Business Personal Property coverage to apply to the unamortized value of "Tenants Improvement and Betterment" that remain and that you were forced to abandon.
- The most we will pay in any one occurrence for loss under this Additional Coverage is \$25,000.
- v. **Lease Assessment**
- Your Business Personal Property is extended to apply to your share of any assessment charged to all tenants by the building owner as a result of direct physical damage caused by or resulting from a Covered Cause of Loss to building property you occupy as agreed to in your written lease agreement.
- We will pay no more than \$2,500 in any one occurrence for this Additional Coverage.

SPECIAL PROPERTY COVERAGE FORM**6. Coverage Extensions**

Except as otherwise provided, the following Extensions apply to property located in or on the building at the "scheduled premises" or in the open (or in a vehicle) within 1,000 feet of the "scheduled premises". All Coverage Extensions are subject to the terms, conditions and exclusions of this policy, except as otherwise provided.

In addition to the Limits of Insurance, you may extend the insurance provided by this policy as follows:

a. Accounts Receivable

- (1) You may extend the insurance that applies to your Business Personal Property, to apply to your accounts receivable.

We will pay for:

- (a) All amounts due from your customers that you are unable to collect;
- (b) Interest charges on any loan required to offset amounts you are unable to collect pending our payment of these amounts;
- (c) Collection expenses in excess of your normal collection expenses that are made necessary by the physical loss or physical damage; and
- (d) Other reasonable expenses that you incur to reestablish your records of accounts receivable;

that result from direct physical loss of or physical damage to your records of accounts receivable.

- (2) Paragraph A.3., Covered Causes of Loss, and Section B., Exclusions, do not apply to this Additional Coverage except for:

- (a) Paragraph B.1.b., Governmental Action;
- (b) Paragraph B.1.c., Nuclear Hazard; and
- (c) Paragraph B.1.e., War and Military Action.

(3) Additional Exclusions

- (a) Dishonest acts by you, anyone else with an interest in the records of accounts receivable, or your or their employees or authorized

representatives, or anyone entrusted with the records of accounts receivable, whether or not acting alone or in collusion with other persons or occurring during the hours of employment.

This exclusion does not apply to a carrier for hire.

- (b) Alteration, falsification, concealment or destruction of records of accounts receivable done to conceal the wrongful giving, taking or withholding of "money," "securities," or other property.

This exclusion applies only to the extent of the wrongful giving, taking or withholding.

- (c) Bookkeeping, accounting or billing errors or omissions.
- (d) Electrical or magnetic injury, disturbance or erasure of electronic recordings.

But we will pay for direct physical loss or physical damage caused by Lightning.

- (e) Voluntary parting with any property by you or anyone entrusted with the property if induced to do so by any fraudulent scheme, trick, device or false pretense.
- (f) Unauthorized instructions to transfer property to any person or to any place.

- (4) We will not pay for direct physical loss or physical damage that requires any audit of records or any inventory computation to prove its factual existence.

- (5) The most we will pay in any one occurrence for direct physical loss of or physical damage to your accounts receivable at each "scheduled premises" is \$25,000.

- (6) The most we will pay in any one occurrence for direct physical loss of or physical damage to accounts receivables away from the "scheduled premises", including while in transit, is \$25,000.

b. Arson and "Theft" Reward

- (1) In the event that a covered fire loss was the result of an act of arson, we will reimburse you for rewards you pay for information leading to convictions for that act of arson.

SPECIAL PROPERTY COVERAGE FORM

- (2) In the event of a covered "theft" loss, we will reimburse you for rewards you pay for information leading to convictions for the "theft" loss.

The most we will pay to reimburse you in any one occurrence for arson or "theft" rewards is \$10,000.

This is additional insurance. The deductible does not apply to these reimbursements.

c. Data and Software

We will pay up to \$10,000 in any one occurrence to cover your costs to research, replace or restore "data" or "software" which exists or existed on electronic or magnetic "media" that is lost or damaged as a result of direct physical loss or physical damage to "computer equipment" at the "scheduled premises".

d. Garages, Storage Buildings and Other Appurtenant Structures

- (1) You may extend the insurance that applies to Building to apply to garages, storage buildings and other appurtenant structures, except outdoor fixtures, at the "scheduled premises".

The most we will pay in any one occurrence for direct physical loss or physical damage under this Extension is \$50,000 at each "scheduled premises".

- (2) You may extend the insurance that applies to Business Personal Property in garages, storage buildings and other appurtenant structures at the "scheduled premises".

The most we will pay in any one occurrence for direct physical loss or physical damage under this Extension is \$5,000 at each "scheduled premises".

e. Newly Acquired or Constructed Property

- (1) You may extend the insurance that applies to Building to apply to:

- (a) Your new buildings while being built on the "scheduled premises"; and
- (b) Buildings you acquire at locations other than the "scheduled premises", intended for:
 - (i) Similar use as the Building described in the Declarations; or
 - (ii) Use as a warehouse.

The most we will pay in any one occurrence for loss or damage under this Extension is 25% of the Limit of Insurance for Building shown in the Declarations, but not more than \$500,000 at each premises.

- (2) You may extend the insurance that applies to Business Personal Property to apply to:

- (a) Property at any premises you acquire or construct;
- (b) Business Personal Property, including such property that you newly acquire, located at your newly constructed building, or
- (c) Business Personal Property that you newly acquire, located at the "scheduled premises".

This extension does not apply to:

- (a) Personal Property that you temporarily acquire in the course of installing or performing work on such property;
- (b) Personal property of others that you temporarily acquire in the course of your wholesaling activity.
- (c) Merchandise held for sale, except as provided under Paragraph C.6. Business Personal Property Limit – Seasonal Increase.

The most we will pay in any one occurrence for direct physical loss or physical damage under this Extension is \$250,000 at each premises.

- (3) You may extend the insurance that applies to Business Income and Extra Expense to apply to newly acquired or constructed locations.

The most we will pay in any one occurrence under this Extension is \$50,000.

- (4) If Covered Property is moved to a new premises endorsed onto this policy, from a "scheduled premises" being endorsed off this policy, the Limit of Insurance applicable to that vacated premises will apply proportionately to both premises as the property is moved. This coverage applies to up to 180 days after the move begins or upon completion of the move, whichever is sooner. This coverage does not apply to Business Personal Property while in transit.

- (5) Insurance under this Extension for each newly acquired or constructed property will end when any of the following first occurs:

- (a) This policy expires;
- (b) 180 days after you acquire or begin to construct the property, or
- (c) You report values to us

We will charge you additional premium for values reported from the day construction begins or you acquire the property

f. Outdoor Property

You may extend the insurance provided by this policy to apply to your outdoor:

- (1) Fences, signs (other than signs attached to buildings), trees, shrubs and plants caused by or resulting from any of the following causes of loss:

- (a) Fire;
- (b) Lightning;
- (c) Explosion;
- (d) Riot or Civil Commotion; and
- (e) Aircraft

The most we will pay in any one occurrence for direct physical loss or physical damage, including debris removal expense, under this Extension is \$10,000 but not more than \$1,000 for any one tree, shrub or plant.

- (2) Radio and television antennas (including satellite dishes) caused by or resulting from any of the following causes of loss:

- (a) Fire;
- (b) Lightning;
- (c) Windstorm;
- (d) Ice, Snow, Sleet or Hail;
- (e) Explosion;
- (f) Riot or Civil Commotion; and
- (g) Aircraft

The most we will pay in any one occurrence for direct physical loss or physical damage, including debris removal expense, under this Extension is \$2,000.

g. Personal Effects

You may extend the insurance that applies to Business Personal Property to apply to personal effects owned by you, your officers, your partners, "managers", "members", or your employees

SPECIAL PROPERTY COVERAGE FORM

The most we will pay in any one occurrence for physical loss or physical damage under this Extension is \$10,000 at each "scheduled premises".

h. Property Off-Premises

- (1) You may extend the insurance that applies to Building to apply to such property that is temporarily at a location you do not own, lease or operate. This Extension applies only if physical loss or physical damage is caused by or resulting from a Covered Cause of Loss. This Extension does not apply to property in course of transit.

The most we will pay in any one occurrence under this coverage extension is \$5,000.

- (2) You may extend the insurance that applies to Business Personal Property to apply to such property, other than Accounts Receivable, "money" and "securities" while:

- (a) In the course of transit and more than 1,000 feet from the "scheduled premises". Property must be in or on, but not permanently attached to or installed in, a motor vehicle you own, lease or operate while between points in the coverage territory; or
- (b) Temporarily at a premises you do not own, lease or operate.
- (c) At a premises owned, leased, operated or used by you and the Business Personal Property is a vending machine.
- (d) In or on, but not permanently attached to or installed in, motor vehicles operated by your employees in the course of your business operations.
- (e) On temporary public display, or while being used at fairs, exhibitions, expositions, or trade shows or while in transit to and from these temporary sites.

The most we will pay in any one occurrence under this Extension is \$2,500.

i. Valuable Papers and Records - Cost of Research

You may extend the insurance that applies to Business Personal Property to apply to your costs to research, replace or restore the lost information on lost or damaged "valuable papers and records", for which duplicates do not exist.

SPECIAL PROPERTY COVERAGE FORM

The most we will pay in any one occurrence under this Extension is \$25,000 at each "scheduled premises". For "valuable papers and records" not at the "scheduled premises", including while in transit, the most we will pay in any one occurrence is \$25,000.

B. EXCLUSIONS

1. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss

a. Earth Movement

- (1) Earthquake, meaning a shaking or trembling of the earth's crust, caused by underground tectonic forces resulting in breaking, shifting, rising, settling, sinking or lateral movement;
- (2) Landslide, including any earth sinking, rising or shifting related to such event;
- (3) Mine subsidence, meaning subsidence of a man-made mine, whether or not mining activity has ceased;
- (4) Earth sinking (other than sinkhole collapse), rising or shifting including soil conditions which cause settling, cracking or other disarrangement of foundations or other parts of realty. Soil conditions include contraction, expansion, freezing, thawing, erosion, improperly compacted soil, and the action of water under the ground surface;

But if Earth Movement, as described in Paragraphs (1) through (4) above, results in fire or explosion, we will pay for the physical loss or physical damage caused by that fire or explosion.

- (5) Volcanic eruption, meaning the eruption, explosion or effusion of a volcano. But if physical loss or physical damage by fire or volcanic action results, we will pay for that resulting physical damage.

Volcanic action means direct physical loss or physical damage resulting from the eruption of a volcano when the physical loss or physical damage is caused by:

- (a) Airborne volcanic blast or airborne shock waves;
- (b) Ash, dust, or particulate matter; or
- (c) Lava flow.

- (d) All volcanic eruptions that occur within any 168-hour period will constitute a single occurrence.

Volcanic action does not include the cost to remove ash, dust, or particulate matter That does not cause direct physical loss or physical damage to Covered Property

b. Governmental Action

Seizure or destruction of property by order of governmental authority

But we will pay for acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread, if the fire would be covered under this policy.

c. Nuclear Hazard

Nuclear reaction or radiation, or radioactive contamination however caused

But if physical loss or physical damage by fire results, we will pay for that resulting physical loss or physical damage.

d. Power Failure

The failure of power or other utility service supplied to the "scheduled premises", however caused, if the failure occurs away from the "scheduled premises". Failure includes lack of sufficient capacity and reduction in supply necessary to maintain normal operations.

But if physical loss or physical damage by a Covered Cause of Loss results, we will pay for that resulting physical loss or physical damage.

e. War and Military Action

- (1) War, including undeclared or civil war;
- (2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
- (3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

f. Water

- (1) Flood, including the accumulation of surface water, waves, tides, tidal waves, overflow of streams or any other bodies of water, or their spray, all whether driven by wind or not;

- (2) Mudslide or mud flow;
- (3) Water that backs up from a sewer or drain; or
- (4) Water under the ground surface pressing on, or flowing or seeping through.
 - (a) Foundations, walls, floors or paved surfaces,
 - (b) Basements, whether paved or not; or
 - (c) Doors, windows or other openings.
 But if loss or damage by fire, explosion or sprinkler leakage results, we will pay for that resulting physical loss or physical damage.
- (5) Water damage caused by or resulting from earthquake or volcanic eruption:
 - (a) Earthquake means a shaking or trembling of the earth's crust, caused by underground tectonic forces resulting in breaking, shifting, rising, settling, sinking or lateral movement or other movement;
 - (b) Volcanic eruption means the eruption, explosion or effusion of a volcano.
- g. Neglect**
Neglect of an insured to use all reasonable means to save and preserve property from further damage at and after the time of loss.
- 2. We will not pay for physical loss or physical damage caused by or resulting from:**
 - a. Consequential Losses:** Delay, loss of use or loss of market.
 - b. Smoke, Vapor, Gas:** Smoke, vapor or gas from agricultural smudging or industrial operations.
 - c. Miscellaneous Types of Loss:**
 - (1) Wear and tear;
 - (2) Rust, corrosion, fungus, decay, deterioration, hidden or latent defect or any quality in property that causes it to damage or destroy itself;
 - (3) Smog;
 - (4) Settling, cracking, shrinking or expansion;
 - (5) Nesting or infestation, or discharge or release of waste products or secretions, by insects, birds, rodents, mold, spore or other animals;

SPECIAL PROPERTY COVERAGE FORM

- (6) The following causes of loss to personal property:
 - (a) Dampness or dryness of atmosphere;
 - (b) Changes in or extremes of temperature; or
 - (c) Marring or scratching.
 But if physical loss or physical damage by the "specified causes of loss", building glass breakage or Equipment Breakdown Accident results, we will pay for that resulting physical loss or physical damage.
- d. Frozen Plumbing:** Water, other liquids, powder or molten material that leaks or flows from plumbing, heating, air conditioning or other equipment (except fire protective systems) caused by or resulting from freezing, unless:
 - (1) You do your best to maintain heat in the building or structure; or
 - (2) You drain the equipment and shut off the supply if the heat is not maintained.
- e. Dishonesty:** Dishonest or criminal act by you, any of your partners, "members", officers, "managers", employees, directors, trustees, authorized representatives or anyone to whom you entrust the property for any purpose:
 - (1) Acting alone or in collusion with others; or
 - (2) Whether or not occurring during the hours of employment.
 This exclusion does not apply to acts of destruction by your employees; but theft by employees is not covered.
- f. False Pretense:** Voluntary parting with any property by you or anyone else to whom you have entrusted the property if induced to do so by any fraudulent scheme, trick, device or false pretense.
- g. Exposed Property:** Rain, snow, ice or sleet to personal property in the open, except as provided in the Coverage Extension for Outdoor Property.
- h. Collapse:** Collapse, except as provided in the Additional Coverage for Collapse. But if loss or damage by a Covered Cause of Loss results at the "scheduled premises", we will pay for that resulting loss or damage.
- i. Pollution:** We will not pay for loss or damage caused by or resulting from the discharge, dispersal, seepage, migration, release or escape of "pollutants and

SPECIAL PROPERTY COVERAGE FORM

contaminants" unless the discharge, dispersal, seepage, migration, release or escape is itself caused by any of the "specified causes of loss." But if physical loss or physical damage by the "specified causes of loss" results, we will pay for the resulting physical loss or physical damage caused by the "specified cause of loss."

3. We will not pay for loss or damage caused by or resulting from any of the following. But if physical loss or physical damage by a Covered Cause of Loss results, we will pay for that resulting physical loss or physical damage.

- a. **Weather conditions:** Weather conditions. This exclusion only applies if weather conditions contribute in any way with a cause or event excluded in paragraph 1. above to produce the physical loss or physical damage.
- b. **Acts or Decisions:** Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body
- c. **Negligent Work:** Faulty, inadequate or defective:
 - (1) Planning, zoning, development, surveying, siting;
 - (2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
 - (3) Materials used in repair, construction, renovation or remodeling; or
 - (4) Maintenance of part or all of any property on or off the "scheduled premises"

4. **Business Income and Extra Expense Exclusions.** We will not pay for:

- a. Any Extra Expense, or increase of Business Income loss, caused by or resulting from:
 - (1) Delay in rebuilding, repairing or replacing the property or resuming "operations", due to interference at the location of the rebuilding, repair or replacement by strikers or other persons; or
 - (2) Suspension, lapse or cancellation of any license, lease or contract. But if the suspension, lapse or cancellation is directly caused by the suspension of "operations", we will cover such loss that affects your Business Income during the "period of restoration"
- b. Any other consequential loss

5. **Equipment Breakdown Exclusion**

We will not pay for physical loss or physical damage caused by or resulting from any of the following tests

- (a) A hydrostatic, pneumatic or gas pressure test of any boiler or pressure vessel; or
- (b) An insulation breakdown test of any type of electrical equipment

C. **LIMITS OF INSURANCE**

- 1. The most we will pay for physical loss or physical damage in any one occurrence is the applicable Limit of Insurance shown in the Declarations.
- 2. The most we will pay for physical loss of or physical damage to outdoor signs attached to buildings is \$5,000 per sign in any one occurrence.
- 3. The limits applicable to:
 - a. Coverage Extensions; and
 - b. The following Additional Coverages:
 - (1) Accounts Receivable,
 - (2) Fire Department Service Charges,
 - (3) Fire Extinguisher Recharge, and
 - (4) "Pollutants and Contaminants" Clean Up and Removal

are in addition to the Limits of Insurance.

- 4. Payments under the following Additional Coverages will not increase the applicable Limit of Insurance:

- a. Preservation of Property; or
- b. Debris Removal; but if:
 - (1) The sum of direct physical loss or physical damage and Debris Removal expense exceeds the Limit of Insurance; or
 - (2) The Debris Removal expense exceeds the amount payable under the 25% limitation in the Debris Removal Additional Coverage.

We will pay up to an additional \$10,000 for each location stated in the Declarations in any one occurrence under the Debris Removal Additional Coverage.

5. **Building Limit - Automatic Increase**

- a. The Limit of Insurance for Buildings will automatically increase annually by 8%.
- b. The amount of increase will be:
 - (1) The Limit of Insurance for Buildings that applied on the most recent of the policy

SPECIAL PROPERTY COVERAGE FORM

inception date, policy anniversary date, or the date of any other policy change amending the Buildings limit, times

- (2) The percentage of annual increase shown above, expressed as a decimal (.08); times
- (3) The number of days since the beginning of the current policy year or the effective date of the most recent policy change amending the Limit of Insurance for Buildings, divided by 365

Example: The applicable Limit of Insurance for Buildings is \$100,000. The annual percentage increase is 8%. The number of days since the beginning of the policy period (or last policy change) is 146.

The amount of increase is:

$\$100,000 \times .08 \times 146 \text{ divided by } 365 = \$3,200$

6. Business Personal Property Limit - Seasonal Increase

- a. The Limit of Insurance for Business Personal Property will automatically increase by 25% to provide for seasonal variations.
- b. This increase will apply only if all Limits of Insurance shown in the Declarations for Business Personal Property at the "scheduled premises" is at least 100% of your average monthly values during the lesser of:
 - (1) The 12 months immediately preceding the date the physical loss or physical damage occurs, or
 - (2) The period of time you have been in business as of the date the physical loss or physical damage occurs.

D. DEDUCTIBLES

1. We will not pay for physical loss or physical damage in any one occurrence until the amount of physical loss or physical damage exceeds the Deductible shown in the Declarations. We will then pay the amount of loss or damage in excess of the Deductible up to the applicable Limit of Insurance.
2. Except as otherwise listed, the deductible applicable to Additional Coverages and Coverage Extensions is the Special Property Coverage Form is \$250
3. A \$250 deductible applies to the following Glass Coverages, unless Glass Coverage is provided under a separate coverage form:

- a. Building Glass
- b. Glass Expense
- c. Tenant Glass

4. Unless a separate deductible is shown in the Declarations, the deductible applicable to the following Additional Coverages or Coverage Extensions is \$250, whether the coverage is provided under this coverage form, provided on a separate coverage form or the coverage is provided in a form that includes a package of coverages, such as a Stretch endorsement:

- a. Accounts Receivable;
- b. Fine Arts
- c. Outdoor Signs; and
- d. "Valuable Papers and Records";

5. Unless a separate deductible is shown in the Declarations, the deductible applicable to the following Additional Coverages or Coverage Extensions is \$100, whether the coverage is provided under this coverage form, provided on a separate coverage form or the coverage is provided in a form that includes a package of coverages, such as a Stretch endorsement:

- a. Employee Dishonesty; and
- b. Temperature Change.

6. No deductible applies to the following Coverage Extensions and Additional Coverages:

- a. Fire Extinguisher Recharge;
- b. Preservation of Property;
- c. Fire Department Service Charge;
- d. Business Income, Extra Expense, Civil Authority and Extended Business Income;
- e. Arson Reward; and
- f. Lock and Key Replacement

7. The Deductible applicable to the following Additional Coverages is the policy deductible or the deductible shown in the Declarations for the following coverage:

- a. Equipment Breakdown;
- b. Ordinance or Law Coverage; and
- c. Leasehold Improvements.

8. Each deductible applicable to this policy shall be applied separately but only to the coverage specified, and the total deductible for all losses in any one occurrence shall be the highest deductible amount that applies to the occurrence.

E. PROPERTY LOSS CONDITIONS

1. Abandonment

There can be no abandonment of any property to us.

SPECIAL PROPERTY COVERAGE FORM**2. Appraisal**

If we and you disagree on the amount of loss, either may make written demand for an appraisal of the loss. In that event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the amount of loss.

If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim.

3. Duties In The Event Of Loss Or Damage

You must see that the following are done in the event of loss of or damage to Covered Property:

- a. Notify the police if a law may have been broken.
- b. Give us prompt notice of the physical loss or physical damage. Include a description of the property involved.
- c. As soon as possible, give us description of how, when and where the physical loss or physical damage occurred.
- d. Take all reasonable steps to protect the Covered Property from further damage by a Covered Cause of Loss. If feasible, set the damaged property aside in the best possible order for examination. Also, keep a record of your expenses for emergency and temporary repairs, for consideration in the settlement of the claim.

This will not increase the Limits of Insurance.

- e. At our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.
- f. Permit us to inspect the property and records proving the loss or damage. Also permit us to take samples of damaged property for inspection, testing and analysis.
- g. If requested, permit us to question you under oath at such times as may be reasonably required about any matter relating to this insurance or your claim, including your books and records. In such event, your answers must be signed.

h. Send us a signed, sworn statement of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.

i. Cooperate with us in the investigation or settlement of the claim.

j. Resume part or all of your "operations" as quickly as possible.

4. Legal Action Against Us

No one may bring a legal action against us under this insurance unless:

- a. There has been full compliance with all of the terms of this insurance; and
- b. The action is brought within 2 years after the date on which the direct physical loss or physical damage occurred.

5. Loss Payment

In the event of physical loss or physical damage covered by this policy:

- a. At our option we will either:
 - (1) Pay the value of physically lost or physically damaged property, as described in paragraph d. below;
 - (2) Pay the cost of repairing or replacing the physically lost or physically damaged property, plus any reduction in value of repaired items;
 - (3) Take all or any part of the property at an agreed or appraised value; or
 - (4) Repair, rebuild or replace the property with other property of like kind and quality.
- b. We will give notice of our intentions within 30 days after we receive the sworn statement of loss.
- c. We will not pay you more than your financial interest in the Covered Property.
- d. We will determine the value of Covered Property as follows:
 - (1) At replacement cost (without deduction for depreciation), except as provided in (2) through (7) below.
 - (a) You may make a claim for physical loss or physical damage covered by this insurance on an actual cash value basis instead of on a replacement cost basis. In the event you elect to have physical loss or physical damage settled on an actual cash value basis, you may still make a claim on a

replacement cost basis if you notify us of your intent to do so within 180 days after the physical loss or physical damage.

- (b) We will not pay on a replacement cost basis for any physical loss or physical damage:
 - (i) Until the physically lost or physically damaged property is actually repaired or replaced; and
 - (ii) Unless the repairs or replacement are made as soon as reasonably possible after the physical loss or physical damage

However, if the cost to repair or replace the damaged property is \$2,500 or less, we will settle the loss according to the provisions of Paragraphs d.(1)(a) and d.(1)(b) above whether or not the actual repair or replacement is complete.

- (c) We will not pay more for physical loss or physical damage on a replacement cost basis than the least of:
 - (i) The cost to replace, on the same premises, the physically lost or physically damaged property with other property of comparable material and quality and which is used for the same purpose; or
 - (ii) The amount you actually spend that is necessary to repair or replace the physically lost or physically damaged property.

- (2) If the **Actual Cash Value - Buildings** option applies, as shown in the Declarations, paragraph (1) above does not apply to Buildings. Instead, we will determine the value of Buildings at actual cash value.

- (3) The following property at actual cash value:

- (a) Manuscripts;
- (b) Works of art, antiques or rare articles, including etchings, pictures, statuary, objects of marble, bronzes, porcelains and bric-a-brac

SPECIAL PROPERTY COVERAGE FORM

- (c) Household contents, except personal property in apartments or rooms furnished by you as landlord

- (4) Glass at the cost of replacement with safety glazing material if required by law.

- (5) "Tenants' Improvements and Betterments" at:

- (a) Replacement cost if you make repairs promptly.

- (b) A proportion of your original cost if you do not make repairs promptly. We will determine the proportionate value as follows:

- (i) Multiply the original cost by the number of days from the physical loss or physical damage to the expiration of the lease; and

- (ii) Divide the amount determined in (i) above by the number of days from the installation of improvements to the expiration of the lease.

If your lease contains a renewal option, the expiration of the renewal option period will replace the expiration of the lease in this procedure.

- (c) Nothing, if others pay for repairs or replacement.

- (6) "Valuable Papers and Records", at the cost of:

- (a) Blank materials for reproducing the records; and

- (b) Labor to transcribe or copy the records.

- (7) "Money" and "Securities":

- (a) "Money" at its face value; and

- (b) "Securities" at their value at the close of business on the day the loss is discovered.

- (8) The value of United States Government Internal Revenue taxes and custom duties and refundable state and local taxes paid or fully determined on the following property held for sale will not be considered in determining the value of Covered Property:

- (a) Distilled spirits;

- (b) Wines;

SPECIAL PROPERTY COVERAGE FORM

- (c) Rectified products; or
 - (d) Beer
 - (9) Applicable to Accounts Receivable:
 - (a) If you can not accurately establish the amount of the accounts receivable outstanding as of the time of physical loss or physical damage the following method will be used:
 - (i) Determine the total of the average monthly value of accounts receivable for 12 months immediately preceding the month in which the direct physical loss or physical damage occurred; and
 - (ii) Adjust the total determined in paragraph (i) above for any normal fluctuations in the value of accounts receivable for the month in which the direct physical loss or physical damage occurred for any demonstrated variance from the average of that month
 - (b) The following will be deducted from the total value of accounts receivable, however that value is established:
 - (i) The value of the accounts for which there is no physical loss or physical damage;
 - (ii) The value of the accounts that you are able to re-establish or collect;
 - (iii) A value to allow for probable bad debts that you are normally unable to collect; and
 - (iv) All unearned interest and services charged.
 - e. Our payment for physical loss or physical damage to personal property of others will only be for the account of the owners of the property. We may adjust losses with the owners of physically lost or physically damaged property if other than you. If we pay the owners, such payment will satisfy your claims against us for the owners' property.
We will not pay the owners more than their financial interest in the Covered Property
 - f. We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.
 - g. We will pay for covered physical loss or physical damage within 30 days after we receive the sworn statement of loss, if:
 - (1) You have complied with all of the terms of this policy; and
 - (2) (a) We have reached agreement with you on the amount of loss, or
(b) An appraisal award has been made.
 - h. The following condition applies to any loss payment for Extra Expense.
We will deduct from the total Extra Expense to be paid:
 - (1) The salvage value that remains of any property bought for temporary use during the Period of Restoration, once business operations are resumed; and
 - (2) Any Extra Expense that is paid for by other insurance.
- 6. Recovered Property**
If either you or we recover any property after loss settlement that party must give the other prompt notice. At your option, you may retain the property. But then you must return to us the amount we paid to you for the property. We will pay recovery expenses and the expenses to repair the recovered property, subject to the Limits of Insurance.
- 7. Resumption of Operations**
In the event of physical loss or physical damage at the "scheduled premises" you must resume all or part of your "operations" as quickly as possible.
We will reduce the amount of your:
- a. Business Income loss, other than Extra Expense, to the extent you can resume your "operations", in whole or in part, by using damaged or undamaged property (including merchandise or stock) at the "scheduled premises" or elsewhere.
 - b. Extra Expense loss to the extent you can return "operations" to normal and discontinue such Extra Expense.
- 8. Vacancy**
- a. **Description of Terms**
 - (1) As used in this Vacancy Condition, the term building and the term vacant have the meanings set forth in Paragraphs.

SPECIAL PROPERTY COVERAGE FORM

(a) and (b) below

(a) When this policy is issued to a tenant, and with respect to that tenant's interest in Covered Property, building means the unit or suite rented or leased to the tenant. Such building is vacant when it does not contain enough business personal property to conduct customary operations.

(b) When this policy is issued to the owner or general lessee of a building, building means the entire building. Such building is vacant unless at least 31% of its total square footage is:

- (i) Rented to a lessee or sub-lessee and used by the lessee or sub-lessee to conduct its customary operations; and/or
- (ii) Used by the building owner to conduct customary operations.

(2) Buildings under construction or renovation are not considered vacant

b. Vacancy Provisions

If the building where physical loss or physical damage occurs has been vacant for more than 60 consecutive days before that physical loss or physical damage occurs:

(1) We will not pay for any physical loss or physical damage caused by any of the following even if they are Covered Causes of Loss:

- (a) Vandalism;
- (b) Sprinkler leakage, unless you had protected the system against freezing;
- (c) Building glass breakage;
- (d) Water damage;
- (e) Theft; or
- (f) Attempted theft.

(2) With respect to Covered Causes of Loss other than those listed in b.(1)(a) through b.(1)(f) above, we will reduce the amount we would otherwise pay for the physical loss or physical damage by 15%

F. PROPERTY GENERAL CONDITIONS**1. Control of Property**

Any act or neglect of any person other than you beyond your direction or control will not affect this insurance.

The breach of any condition of this Coverage Form at one or more locations will not affect coverage at any location where, at the time of physical loss or physical damage, the breach of condition does not exist.

2. Mortgage Holders

- a. The term mortgage holder includes trustee.
- b. We will pay for covered physical loss of or physical damage to buildings or structures to each mortgage holder shown in the Declarations in their order of precedence, as interests may appear.
- c. The mortgage holder has the right to receive loss payment even if the mortgage holder has started foreclosure or similar action on the building or structure.
- d. If we deny your claim because of your acts or because you have failed to comply with the terms of this policy, the mortgage holder will still have the right to receive loss payment if the mortgage holder:

- (1) Pays any premium due under this policy at our request if you have failed to do so;
- (2) Submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so; and
- (3) Has notified us of any change in ownership, occupancy or substantial change in risk known to the mortgage holder.

All of the terms of this policy will then apply directly to the mortgage holder.

- e. If we pay the mortgage holder for any physical loss or physical damage and deny payment to you because of your acts or because you have failed to comply with the terms of this policy:

- (1) The mortgage holder's rights under the mortgage will be transferred to us to the extent of the amount we pay; and
- (2) The mortgage holder's rights to recover the full amount of the mortgage holder's claim will not be impaired.

At our option, we may pay to the mortgage holder the whole principal on the mortgage plus any accrued interest. In this event, your mortgage and note will be transferred to us and you will pay your remaining mortgage debt to us.

SPECIAL PROPERTY COVERAGE FORM

f. If we cancel this policy, we will give written notice to the mortgage holder at least:

- (1) 10 days before the effective date of cancellation if we cancel for your non payment of premium, or
- (2) 30 days before the effective date of cancellation if we cancel for any other reason.

g. If we elect not to renew this policy, we will give written notice to the mortgage holder at least 10 days before the expiration date of this policy.

3. No Benefit to Bailee

No person or organization, other than you, having custody of Covered Property will benefit from this insurance.

4. Policy Period, Coverage Territory

Under this form:

a. We cover physical loss or physical damage commencing:

- (1) During the policy period shown in the Declarations; and
- (2) Within the coverage territory or, with respect to property in transit, while it is between points in the coverage territory

But we do not cover physical loss or physical damage that is also covered by a preceding policy.

b. The coverage territory is:

- (1) The United States of America (including its territories and possessions);
- (2) Puerto Rico; and
- (3) Canada.

5. Additional Conditions

The following conditions apply to paragraph A.5.u., Forgery Additional Coverage:

- a. We will treat mechanically reproduced facsimile signatures the same as handwritten signatures.
- b. You must include with your proof of loss any instrument involved in that loss, or, if that is not possible, an affidavit setting forth the amount and cause of loss.
- c. The Coverage Territory is revised to cover loss you sustain anywhere in the world.

G. PROPERTY DEFINITIONS

1. "Computer" means a programmable electronic device that can store, retrieve and process "data".

2. "Computer Equipment" means "computers", "peripheral devices", "media", and manuals that are purchased to be used in conjunction with hardware and "software".

3. "Counterfeit" means an imitation of an actual valid original which is intended to deceive and to be taken as the original.

4. "Data" means information or facts stored in a "computer's" memory, on "software" or on "media".

5. "Finished Stock" means stock you have manufactured

"Finished Stock" does not include stock you have manufactured that is held for sale on the premises of any retail outlet insured under this policy

6. "Manager" means a person serving in a directorial capacity for a limited liability company

7. "Media" means the material used solely with the "computer" or "peripheral device" upon which "software" or "data" is stored, such as tapes, CD-ROMs or disks

8. "Member" means an owner of a limited liability company represented by its membership interest, who also may serve as a "manager".

9. "Messenger" means you, any any of your partners or any employee while having care and custody of the property outside your premises.

10. "Money" means:

- a. Currency, coins and bank notes whether or not in current use; and
- b. Travelers checks, registered checks and money orders held for sale to the public.

11. "Operations" means your business activities occurring at the "scheduled premises" and tenantability of the "scheduled premises".

12. "Period of Restoration" means the period of time that:

- a. Begins with the date of direct physical loss or physical damage caused by or resulting from a Covered Cause of Loss at the "scheduled premises", and
- b. Ends on the date when:
 - (1) The property at the "scheduled premises" should be repaired, rebuilt or replaced with reasonable speed and similar quality;
 - (2) The date when your business is resumed at a new, permanent location.

SPECIAL PROPERTY COVERAGE FORM

"Period of Restoration" does not include any increased period required due to enforcement of any law that:

- a. Regulates the construction, use or repair, or required the tearing down of any property; or
- b. Regulates the prevention, control, repair, clean up or restoration of environmental damage.

The expiration date of this policy will not cut short the "period of restoration"

13. "Peripheral Device" means any physical unit used to operate the "computer" that cannot be used for purposes other than as part of the computer's system, such as tape or disk drives, printers, or modems
14. "Perishable Stock" means personal property:
 - a. Maintained under controlled conditions for its preservation; and
 - b. Susceptible to physical loss or physical damage if the controlled conditions change.
15. "Pollutants and Contaminants" means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapors, soot, fumes, acids, alkalis, chemicals and waste, or any other material which causes or threatens to cause physical loss, physical damage, impurity to property, unwholesomeness, undesirability, loss of marketability, loss of use of property, or which threatens human health or welfare. Waste includes materials to be recycled, reconditioned or reclaimed.
16. "Scheduled Premises" means any premises listed by location address in the Scheduled Premises section of the Declarations.
17. "Securities" means negotiable and nonnegotiable instruments or contracts representing either "money" or other property and includes:
 - a. Tokens, tickets except Lottery Tickets, revenue and other non-postage stamps whether or not in current use; and
 - b. Evidences of debt issued in connection with credit or charge cards, which are not of your own issue,

but does not include "money."
18. "Software" means instructions or programs that are stored on "media" and which instruct the hardware as to how to process "data"

19. "Specified Cause of Loss" means the following:

Fire; lightning; explosion, windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; falling objects; weight of snow, ice or sleet; water damage.

- a. Sinkhole collapse means the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or dolomite. It does not include the cost of filling sinkholes.
- b. Falling objects does not include loss of or damage to:
 - (1) Personal property in the open; or
 - (2) The interior of a building or structure, or property inside a building or structure, unless the roof or an outside wall of the building or structure is first damaged by a falling object.
- c. Water damage means accidental discharge or leakage of water or steam as the direct result of the breaking or cracking of any part of a system or appliance containing water or steam.

20. "Suit" means a civil proceeding and includes:

- a. An arbitration proceeding in which damages are claimed and to which you must submit or do submit with our consent; or
- b. Any other alternative dispute resolution proceeding in which damages are claimed and to which you submit with our consent.

21. "Tenant Improvements and Betterments" means fixtures, alterations, installations or additions made a part of the Building you occupy but do not own and that you cannot legally remove; and

- a. Which are made at your expense; or
- b. That you acquired from the prior tenant at your expense.

22. "Theft" means the act of stealing.

23. "Valuable papers and records" means inscribed, printed or written documents, manuscripts or records, including abstracts, books, deeds, drawings, films, maps or mortgages.

But "valuable papers and records" does not mean "money" and "securities", "data" and "software" or the materials on which the "data" and "software" is recorded.



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SUPER STRETCH

This endorsement modifies insurance provided under the following:

STANDARD PROPERTY COVERAGE FORM SPECIAL PROPERTY COVERAGE FORM

Except as otherwise stated in this endorsement, the terms and conditions of the policy apply to the insurance stated below.

A. The following changes apply to the Standard Property Coverage Form, Additional Coverages, **A.4.**, or to the Special Property Coverage Form, Additional Coverages, **A.5.**

1. Blanket Coverage Limit of Insurance

The following Additional Coverage is added:

We will pay up to \$150,000 in any one occurrence as a Blanket Coverage Limit of Insurance to apply at each "scheduled premises" to apply to sum of all covered loss under the coverages described in this section **A.1.a.** through **A.1.f.** arising out of a single Covered Cause of Loss occurrence. You may apportion this Limit among these coverages as you choose.

This Limit of Insurance is in addition to any other Limit of Insurance that may be provided by this policy for these coverages.

a. Accounts Receivable

Within the Blanket Coverage Limit of Insurance, we will pay for direct physical loss of or physical damage to your records of accounts receivable receivable on or away from your "scheduled premises", including while in transit.

This Additional Coverage is subject to the provisions of Accounts Receivable, Form SS 04 39, with the exception of the Limit of Insurance provision contained in that form. Accounts Receivable, Form SS 04 39 is made a part of this policy whether or not Accounts Receivable coverage is indicated in the Declarations.

b. Computers and Media

Within the Blanket Coverage Limit of Insurance, we will pay for direct physical

loss of or physical damage to your computer systems.

This Additional Coverage is subject to the provisions of Computers and Media, Form SS 04 41, with the exception of the Limit of Insurance provision contained in that form. Computers and Media, Form SS 04 41 is made a part of this policy whether or not Computers and Media coverage is indicated in the Declarations.

c. Debris Removal

Within the Blanket Coverage Limit of Insurance, we will pay for increases under Debris Removal additional limit, **C.4.b.**

d. Personal Property of Others

Within the Blanket Coverage Limit of Insurance, we will pay for direct physical loss of or physical damage to personal property of others that is in your care, custody or control.

This Additional Coverage is subject to the provisions of Personal Property of Others, Form SS 04 45, with the exception of the statement concerning Limit of Insurance applicable to Personal Property of Others shown in the Declarations, contained in that form. Personal Property of Others, Form SS 04 45 is made a part of this policy whether or not Personal Property of Others coverage is indicated in the Declarations.

e. Temperature Change

Within the Blanket Coverage Limit of Insurance, we will pay for direct physical loss of or physical damage to perishable stock caused by or resulting from a change of temperature or contamination by a refrigerant.

This additional coverage is subject to the provisions of the Temperature Change, Form SS 04 46, with the exception of the Limit of Insurance provision contained in that form. Temperature Change, Form SS 04 46 is made a part of this policy whether or not Temperature Change coverage is indicated in the Declarations.

f. Valuable Papers and Records

Within the Blanket Coverage Limit of Insurance, we will pay for direct physical loss of or physical damage to your valuable papers and records on or away from your "scheduled premises", including while in transit.

This Additional Coverage is subject to the provisions of the Valuable Papers and Records Coverage in form SS 04 47, with the exception of the Limit of Insurance provision contained in that form. Valuable Papers and Records Coverage, Form SS 04 47 is made a part of this policy whether or not Valuable Papers and Records coverage is indicated in the Declarations.

2. Brands and Labels

The following Additional Coverage is added:

In the event of covered physical loss or physical damage to merchandise that is branded or labeled, we will take all or part of the physically damaged property at an agreed or appraised value and we will pay for:

- a. Expenses you incur to:
 - (1) Stamp salvage on the merchandise or its containers, if the stamp will not physically damage the merchandise; or
 - (2) Remove the brands or labels, if doing so will not physically damage the merchandise. You must relabel the merchandise and its containers to comply with the law.
- b. Any reduction in the salvage value of the physically damaged merchandise as the result of the removal of the brand or label.

This Additional Coverage is included within the Business Personal Property Limit of Insurance.

3. Claim Expenses

The following Additional Coverage is added:

In the event of covered loss or physical damage, we will pay up to \$10,000 in any one occurrence as an additional Limit of Insurance to cover reasonable expenses incurred by you at our specific request to assist us in:

- a. The investigation of a claim or suit; or

- b. The determination of the amount of loss, such as taking inventory, or auditing business records

4. Computer Fraud

The following Additional Coverage is added:

We will pay up to \$5,000 in any one occurrence for physical loss of or physical damage to "money", "securities", and other property having intrinsic value resulting directly from computer fraud. Computer fraud means any act of stealing property following and directly related to the use of any computer to fraudulently cause a transfer of that property from inside your premises or from a banking institution or similar safe depository, to a person (other than a "messenger") outside those premises or to a place outside those premises.

This Limit of Insurance is in addition to any other Limit of Insurance that may be provided by this policy for this coverage.

5. Employee Dishonesty (including ERISA)

The following Additional Coverage is added:

We will pay up to \$25,000 in any one occurrence as a Limit of Insurance to cover loss from employee dishonesty. This includes ERISA coverage. This Limit of Insurance is in addition to any other Limit of Insurance that may be provided by this policy for this coverage.

This Additional Coverage is subject to the provisions of the Employee Dishonesty Coverage, Form SS 04 42, with the exception of the Limit of Insurance provision contained in that form. Employee Dishonesty Coverage, Form SS 04 42 is made a part of this policy whether or not Employee Dishonesty Coverage is indicated in the Declarations.

6. Fine Arts

The following Additional Coverage is added:

We will pay up to \$25,000 in any one occurrence as a Limit of Insurance at each "scheduled premises" to apply to Fine Arts. This Limit of Insurance is in addition to any other Limit of Insurance that may be provided by this policy for this coverage.

This Additional Coverage is subject to the provisions of Fine Arts Coverage Form, Form SS 04 22, with the exception of the following:

- a. The requirement contained under Paragraph A.1., Under A. Coverage, to list and describe Fine Arts in the Declarations or Schedule is deleted when Fine Arts are covered under this Stretch endorsement; and
- b. The Limit of Insurance provision does not apply

- c. Paragraph D.1. Valuation is deleted and replaced by the following:

The value of Fine Arts will be the market value at the time of physical loss or physical damage

Fine Arts Coverage, Form SS 04 22 is made a part of this policy whether or not Fine Arts Coverage is indicated in the Declarations.

7. Forgery

The following Additional Coverage is added:

We will pay up to \$25,000 in any one occurrence as a Limit of Insurance to cover loss from forgery of covered instruments, money orders, credit cards, and counterfeit money. This Limit of Insurance is in addition to any other Limit of Insurance that may be provided by this policy for this coverage.

This Additional Coverage is subject to the provisions of Forgery Coverage, Form SS 04 86, with the exception of the Limit of Insurance provision contained in that form. Forgery Coverage, Form SS 04 86 is made a part of this policy, whether or not Forgery Coverage is indicated in the Declarations.

8. Laptop Computers - Worldwide Coverage

The following Additional Coverage is added:

We will pay up to \$10,000 in any one occurrence as a Limit of Insurance to apply to laptop, palmtop, personal digital assistants (PDAs), and similar portable computer equipment and accessories anywhere in the world, including while in transit. This Limit of Insurance is in addition to any other Limit of Insurance that may be provided by this policy for this coverage.

Limitation: We will not pay for direct physical loss or physical damage caused by, resulting from, arising out of the theft of this property which in transit as checked baggage.

This Additional Coverage is subject to the provisions of Computers and Media, Form SS 04 41, with the exception of the Limit of Insurance provision contained in that form. Computers and Media, Form SS 04 41 is made a part of this policy whether or not Computers and Media coverage is indicated in the Declarations.

9. Off-Premises Utility Services - Direct Damage

The following Additional Coverage is added:

We will pay up to \$25,000 in any one occurrence as a Limit of Insurance to apply at each "scheduled premises" to cover direct physical loss of or physical damage to Covered Property caused by or resulting from the interruption of utility services.

This additional coverage is subject to the provisions of Off-Premises Utility Services - Direct Damage, Form SS 40 18, with the exception of the Utility Services Limit of Insurance contained in that form. Off-Premises Utility Services - Direct Damage, Form SS 40 18 is made a part of this policy, whether or not Off-Premises Utility Services - Direct Damage coverage is indicated in the Declarations.

10. Outdoor Signs

The following Additional Coverage is added and supersedes any other coverage for signs in this policy:

We will pay up to full value of outdoor signs at each "scheduled premises" to cover direct physical loss of or physical damage to outdoor signs.

This Additional Coverage is subject to the provisions of Outdoor Signs, Form SS 04 44, with the exception of the Limit of Insurance provision and paragraph E. of that form. Outdoor Signs, Form SS 04 44 is made a part of this policy whether or not Outdoor Signs coverage is indicated in the Declarations.

11. Pairs or Sets

The following Additional Coverage is added:

If pairs or sets of stock are damaged by a Covered Cause of Loss, we will pay any reduction in value of the undamaged parts of such damaged pairs or sets.

As used in this Additional Coverage, the term stock means merchandise held in storage or for sale, raw materials, and goods in-process or finished.

This coverage is included within the Business Personal Property Limit of Insurance.

12. Property at Other Premises

The following Additional Coverage is added:

We will pay up to \$10,000 in any one occurrence to extend coverage for Business Personal Property at any premises not described in the Declarations.

This includes property that you have sold under an installation agreement and your responsibility continues until the property is accepted by the customer.

This Extension does not apply to:

- Property in the care, custody or control of your salespersons;
- Property at any fair or exhibition;
- Property in transit; or
- Property temporarily stored at any premises not described in the Declarations.

This Limit of Insurance is in addition to any other Limit of Insurance that may be provided by this policy for this coverage

13. Salespersons' Samples

The following Additional Coverage is added:

We will pay up to \$5,000 in any one occurrence as an additional Limit of Insurance to extend Business Personal Property to cover:

- a. Samples of your stock in trade (including containers); and
 - b. Similar property of others;
- but only while such property is in:
- a. Your custody while acting as a sales representative; or
 - b. In the custody of your sales representatives or agents.

14. Sewer and Drain Back Up

The following Additional Coverage is added:

We will pay for direct physical loss or physical damage to Covered Property at the "scheduled premises" solely caused by water that backs up from a sewer or drain.

This coverage is included within the Covered Property Limits of Insurance.

THIS IS NOT FLOOD INSURANCE

We will not pay for water or other materials that back up from any sewer or drain when it is caused by any flood. This applies regardless of the proximity of the flood to Covered Property. Flood includes the accumulation of surface water, waves, tides, tidal waves, overflow of streams or other bodies of water, or their spray, all whether driven by wind or not.

15. Sump Overflow or Sump Pump Failure

The following Additional Coverage is added:

The maximum we will pay is \$25,000 in any one occurrence for any loss, including loss of Business Income or Extra Expense, resulting from physical loss or physical damage to Covered Property that is caused by or resulting from water that overflows due to the failure of a sump pump, sump pump well, or any other type of system designed to remove subsurface water from the foundation area to operate if the failure is directly or indirectly the result of a Covered Cause of Loss. Failure means an abrupt cessation of normal functioning. This Limit of Insurance is the maximum we will pay regardless of any other coverage provided under this policy.

This Additional Coverage is subject to the terms and conditions of this policy with the exception of

Paragraph B.1.f., Power Failure, of the Standard Property Coverage Form and

- a. Paragraph B.1.d., Power Failure, of the Special Property Coverage Form; and
- b. Paragraph B.1.h.(4), Water, of the Standard Property Coverage Form and Paragraph B.1.f.(4), Water, of the Special Property Coverage Form.

THIS IS NOT FLOOD INSURANCE

We will not pay for water or other materials that overflow from a sump when the overflow is caused by any flood. This applies regardless of the proximity of the flood to Covered Property. Flood includes the accumulation of surface water, waves, tides, tidal waves, overflow of streams or other bodies of water, or their spray, all whether driven by wind or not that enters the sewer or drain system.

16. Tenant Building and Business Personal Property Coverage - Required by Lease

The following Additional Coverage is added:

The maximum we will pay in any one occurrence is \$20,000 as a Limit of Insurance to apply to direct physical loss of or physical damage to Building and Business Personal Property for which you have a contractual responsibility to insure. This includes building fixtures, machinery and equipment.

17. Transit Property in the Care of Carriers for Hire

The following Additional Coverage is added:

We will pay up to \$10,000 in any one occurrence as a Limit of Insurance to apply to direct physical loss of or physical damage to property while in transit at your risk.

This Additional Coverage is subject to the provisions of Transit Property in the Care of Carriers for Hire, Form SS 04 30, with the exception of the Limit of Insurance provision contained in that form. Transit Property in the Care of Carriers for Hire, Form SS 04 30 is made a part of this policy whether or not Transit Property in the Care of Carriers for Hire is indicated in the Declarations.

18. Unauthorized Business Card Use

The following Additional Coverage is added:

The maximum we will pay in any one occurrence is \$5,000 as a Limit of Insurance to

cover loss resulting from the theft or unauthorized use of your Business Credit, Debit or Charge Cards, including the reasonable legal expenses you incur

The Business Credit, Debit or Charge Cards must be issued to you or registered in your name or the business name

Limitation. We will not pay for the theft or unauthorized use of Business Credit, Debit or Charge Cards entrusted to others or your employees.

- B.** The following changes apply to the Standard Property Coverage Form, Coverage Extensions, **A.5.**, or to the Special Property Coverage Form, Coverage Extensions, **A.6.** The Limits of Insurance stated in the paragraphs below replace the Limits of Insurance stated in the Standard Property Coverage Form or the Special Property Coverage Form for the coverages provided under this section. Except as otherwise stated, any other Limit of Insurance purchased under this policy as an option for the following coverages is in addition to the Limit of Insurance stated below:

1. Newly Acquired or Constructed Property

The following changes are made to Newly Acquired or Constructed Property:

a. Building

- (1) The most we will pay in any one occurrence in subparagraph (1) is increased from \$500,000 to \$1,000,000 at each premises
- (2) The Limit of Insurance stated above is the maximum Limit of Insurance available for this coverage under this policy.

b. Business Personal Property

- (1) The most we will pay in any one occurrence in subparagraph (2) is increased from \$250,000 to \$500,000 at each premises
- (2) The Limit of Insurance stated above is the maximum Limit of Insurance available for this coverage under this policy.

c. Business Income and Extra Expense

- (1) If Business Income or Extra Expense is provided under this policy, the most we will pay in any one occurrence in subparagraph (3) is increased from \$50,000 to \$500,000 at each premises.
- (2) The Limit of Insurance stated above is the maximum Limit of Insurance

available for this coverage under this policy.

2. Outdoor Property

In the Outdoor Property Coverage Extension, the most we will pay in any one occurrence is increased to \$25,000, but not more than \$1,000 for any one tree, shrub or plant.

3. Personal Effects

In the Personal Effects Coverage Extension, the most we will pay in any one occurrence is increased from \$10,000 to \$25,000 at each "scheduled premises."

The Limit of Insurance stated above is the maximum Limit of Insurance available for this coverage under this policy.

4. Property Off-Premises

In the Personal Property Off-Premises Coverage Extension, the most we will pay in any one occurrence in subparagraph **A.6.h.(2)** is increased from \$2,500 to \$25,000.

- C.** The following changes apply only if Business Income and Extra Expenses are covered under this policy. These changes apply to the Standard Property Coverage Form, Additional Coverages, **A.4.**, or to the Special Property Coverage Form, Additional Coverages, **A.5.**:

1. Business Income Extension for Off-Premises Utility Services

The following Additional Coverage is added:

We will pay up to \$25,000 in any one occurrence as a Limit of Insurance to apply at each "scheduled premises" to cover loss of Business Income and Extra Expense caused by or resulting from the interruption of utility services. This Limit of Insurance is in addition to any other Limit of Insurance that may be provided by this policy for this coverage.

This additional coverage is subject to the provisions of Business Income Extension for Off-Premises Utility Services, Form SS 04 19, with the exception of the Limit of Insurance provision contained in that form. Business Income Extension For Off-Premises Utility Services, Form SS 04 19 is made a part of this policy whether or not Business Income Extension For Off-Premises Utility Services coverage is indicated in the Declarations.

2. Business Income Extension for Web Sites

The following Additional Coverage is added:

We will pay up to \$50,000 in any one occurrence as a Limit of Insurance to cover loss of Business Income you sustain due to the necessary

interruption of business operations caused by or resulting from direct physical loss of or physical damage to your Web Site operation at the premises of a vendor acting as your service provider. Such interruption must be caused by or result from a Covered Cause of Loss.

a. Coverage Time Period

We will only pay for loss you sustain during the 7 day period immediately following the first 12 hours after the Covered Cause of Loss.

b. Conditions

This coverage applies only:

- (1) If you have a back-up copy of your Web Page stored at a location other than the site of the Web Site vendor.
- (2) To the extent that Business Income is permanently lost.

This Limit of Insurance is in addition to any other Limit of Insurance that may be provided by this policy for this coverage.

3. Business Income From Dependent Properties

The following Additional Coverage is added:

We will pay up to \$50,000 in any one occurrence as a Limit of Insurance to apply loss of Business Income and Extra Expense due to direct physical damage at the premises of a dependent property caused by or resulting from a Covered Cause of Loss. This Limit of Insurance is in addition to any other Limit shown in the Declarations for specific Dependent Properties.

This additional coverage is subject to the provisions of Business Income from Dependent Properties, Form SS 04 78, with the exception of the Limit of Insurance provision contained in that form. Business Income from Dependent Properties, Form SS 04 78 is made a part of this policy whether or not Business Income from Dependent Properties coverage is indicated in the Declarations.

There is no requirement for Dependent Properties to be scheduled for the coverages provided by this Stretch endorsement to apply.

4. Extended Business Income

Extended Business Income Additional Coverage, paragraph 4.j.(1)(b)(ii) of the Standard Property Coverage Form and paragraph 5.r.(1)(b)(ii) of the Special Property Coverage Form is amended to read as follows:

- (b) 90 consecutive days after the date determined in (a) above.

D. The following changes apply to Paragraph E.5.d., Loss Payment, of the Standard Property Coverage Form and the Special Property Coverage Form:

1. Valuation Changes

The following are added to Paragraph E.5.d.:

(10)Commodity Stock

We will determine the value of merchandise and raw materials that are bought and sold at an established market exchange. We will determine the value at:

- (a) The posted market price as of the time and place of loss;
- (b) Less discounts given and expenses you otherwise would have had

(11)"Finished Stock"

We will determine the value of goods that you have manufactured at the selling price less discounts given and expenses you otherwise would have had

(12)Mercantile Stock - Sold

We will determine the value of goods you have sold but not delivered at the selling price less discounts given and expenses you otherwise would have had